



مُؤَسَّسَةُ تِجَارَةِ عُومَانِ
Oman Chamber of Commerce and Industry

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PROMULGATING THE LAW OF INSOLVENCY/ BANKRUPTCY



PROMULGATING THE LAW OF INSOLVENCY/BANKRUPTCY

Royal Decree no. 53/2019, Promulgating the Law of Insolvency/Bankruptcy

Pursuant to the State's Basic Law issued by Royal Decree no. 101/96;
The Commercial Register Law no. 3/74;
The Insurance Companies Law issued by Royal Decree no. 12/79;
The Commercial Law issued by Royal Decree no. 55/90;
The Royal Decree no. 2/98 issuing the Real Estate Register Regulations [Law];
The Judicial Authority Law issued by Royal Decree no. 90/99;
The Criminal Procedures Law issued by Royal Decree no. 97/99;
The Banking Law issued by Royal Decree no. 114/2000;
The Civil and Commercial Procedures Law issued by Royal Decree no. 29/2002;
The Labour Law issued by Royal Decree no. 35/2003;
The Law of Evidence in Civil and Commercial Transactions issued by Royal Decree no. 68/2008;
The Civil Transactions Law issued by Royal Decree no. 29/2013;
The Penal Law issued by Royal Decree no. 7/2018;
The Law of National Payment Systems issued by Royal Decree no. 8/2018;
The Commercial Companies Law issued by Royal Decree no. 18/2019;
After presenting the same to the Council of Oman; and
In the public interest,

It is Decreed:

Article One (Bankruptcy Law to Apply)¹

The attached Bankruptcy Law shall apply.

Article Two (Executive Regulations)

The Minister of Commerce and Industry shall, in coordination with the competent entities, issue the Regulations and Decisions necessary for the implementation of the attached Law.

Article Three (Insolvency Law contained in Commercial Law Repealed)

Book V of the Commercial Law shall be repealed. Any provision, found to be contrary to - or in contradiction with – the attached Law, shall be repealed.

Article Four

This Decree shall be published in the official Gazette and shall be effective after one year from the date of its publication.

Issued on 27th Shawwal 1440 AH
Corresponding to 1st July 2019

**Qaboos Bin Said
Sultan of Oman**

1. Subheadings are made strictly for ease of reference and are not and should not be read as part of this Law.

The Insolvency/Bankruptcy² Law

Preliminary Part Definitions & General Provisions

Article (1) (Definitions)

In applying the provisions of this Law, the following words and expressions shall carry the meaning assigned to each of them, unless the context requires otherwise:

- A. Ministry:** Ministry of Commerce and Industry
- B. Minister:** Minister of Commerce and Industry
- C. Competent Department:** Department of Audit and Control of Commercial Establishments at the Ministry
- D. Register:** Commercial Register
- E. Registrar:** Commercial Registrar
- F. Roster [of Experts]³:** Roster of Bankruptcy Experts provided for in Article (5) of this Law
- G. Court:** Court competent to consider cases and disputes arising from the application of the provisions of this Law, in accordance with Article 4 hereof.
- H. Prejudgment measures:** Necessary measures taken by the Court or taken by the Composition Judge or Bankruptcy/Insolvency Judge, in accordance with the provisions of this Law, with a view to safeguard or safely manage the assets of the merchant debtor; or prevent the insolvent/bankrupt debtor from absconding or concealing his monies.
- I. Restructuring:** Measures that may assist the merchant debtor in overcoming financial and administrative distress to pay his debts in accordance with the Restructuring Plan.

2. Translator's note: the reader should be aware that "Bankruptcy" and "Insolvency" can be used interchangeably in Arabic; meaning there is no differentiation in the usage. While Bankrupt is commonly understood in Arabic to mean "legally declared bankrupt", "insolvent", however, in Arabic extents to include generally the state of a person (again whether an individual or a corporate entity) not being able to discharge its debt [as can be seen from Article 67 (para. 2) of the CCL]. In my attempt here, both "bankruptcy and insolvency" and "bankrupt and insolvent" will be used as appropriate to alleviate any ambiguity, all without prejudice to the original.

3. Translator's note: Square brackets and words inside are not literally in the original, but understood from the context and placed there to simply help the translation read better.

- J. Restructuring Committee:** the committee constituted of experts on the Roster, for the purpose of preparing the Restructuring Plan.
- K. Associate:** a person responsible for helping the merchant debtor evaluate its financial and administrative condition and follow-up the implementation of the Restructuring Plan.
- L. [Court-regulated]⁴ Composition:** a settlement administered by a Composition Judge in favour of a merchant debtor and creditors, pursuant to an application submitted by the merchant debtor in order to avoid being declared bankrupt/insolvent.
- M. Composition Judge:** a judge appointed to oversee the Composition proceedings.
- N. Composition Secretary:** a person responsible for conducting and following-up the composition proceedings between the Composition applicant and creditors.
- O. Controller:** a person appointed to control the execution of Composition Agreement.
- P. Assets in Bankruptcy/Insolvency:** all monies of an insolvent/bankrupt debtor to which his hands are tied-up [taken away from it] following a bankruptcy/insolvency judgment.
- Q. Insolvency/bankruptcy Judge:** a judge appointed to oversee the insolvency/bankruptcy proceedings.
- R. Receiver:** a legal representative for insolvency/bankruptcy appointed by the Court to manage the assets in bankruptcy/insolvency.
- S. Insolvent debtor:** a merchant who has been declared bankrupt/insolvent following a bankruptcy/insolvency judgment.
- T. Observer:** a person appointed from amongst the creditors by the Insolvency/Bankruptcy Judge to monitor the management of assets in bankruptcy/insolvency.
- U. Association of Creditors:** an association that brings all creditors together when one of the conditions provided for in Article (181) of this Law is met.
- V. Secretary of Association of Creditors:** Insolvency representative selected by creditors following the establishment of the Association.

4. Translator's note: Although inside the round brackets is in the original, the round brackets themselves are not, but placed simply to help the translation read better.

Article (2) (Application of this Law)

The provisions of this Law shall be applicable to a merchant falling within the definition provided for in the Commercial Law.

This Law shall not be applicable to establishments licensed by the Central Bank of Oman ("CBO") in accordance with the Banking Law or any other law nor shall it apply to insurance companies licensed in accordance with the Insurance Companies Law. This Law shall apply without prejudice to the exception provided for in Article (44) of the Law of National Payment Systems.

Article (3) (Application of other laws)

The Commercial Law, the Civil Transactions Law, the Evidence Law in Civil and Commercial Transactions, and the Civil and Commercial Procedures Law shall apply to matters not covered by this Law.

Article (4) (Competent Court)

The Court, within whose jurisdiction the principal office of a merchant debtor is situated, shall be competent to consider the cases arising from the application of this Law. If the merchant debtor's principal office is situated outside Oman, the Court within whose jurisdiction the local office (Oman branch) is situated shall be competent.

Without prejudice to the international conventions applicable in Oman, a foreign merchant having a branch or an agency in Oman may be declared bankrupt/insolvent even if such merchant is not declared bankrupt/insolvent in a foreign country. In such event, the Court within whose jurisdiction the branch or agency is situated shall be competent to declare such bankruptcy/insolvency in Oman.

Article (5) (Roster of Bankruptcy Experts)

A Roster of experts shall be created and be named "Roster of Bankruptcy/Insolvency Experts". The Roster shall list a sufficient number of individuals, offices and companies specialized in restructuring, asset management and bankruptcy. The Roster shall also include Receivers, valuation experts and others, if required.

The Minister of Justice shall, in coordination with the Minister, issue the Regulations governing Roster enrolment, the rules for experts' selection, and on how they shall perform their functions, their accountability and the criteria for determination of their remuneration.

Part I**RESTRUCTURING & COMPOSITION****Chapter I****RESTRUCTURING****Section I****RESTRUCTURING APPLICATION****Article (6) (Restructuring Application)**

A merchant debtor who has not committed any fraud may apply for restructuring, provided that such merchant has continuously carried out the business during the two years preceding the filing of the Application. Subject to the approval of all heirs of a merchant debtor, the heirs may, during the year following his demise, apply for restructuring of his business. A company may not be restructured when it is in a state of liquidation.

Article (7) (suspension of ongoing bankruptcy proceedings)

A Restructuring Application may not be filed if a final judgment is issued declaring a merchant debtor bankrupt/insolvent or if a judgment is issued allowing Composition proceedings.

Filing a Restructuring Application shall cause suspension of the Bankruptcy/Insolvency and Composition applications, pending a decision on the Restructuring Application.

Another Restructuring Application may only be filed after three months from the date on which the previous Application was rejected or suspended.

Article (8) (timing and content of Restructuring Application)

A Restructuring Application shall specify the reasons for the financial and administrative distress, the date on which such distress originated and actions taken in this regard to avoid its occurrence or to offset its effects and actions deemed necessary by the merchant debtor to overcome such distress.

The Restructuring Application shall be filed within six (6) months from (the merchant debtor's)⁵ business distress date, and shall be accompanied by the following documents:

- A. Documents in support of the information contained therein;
- B. A certificate from the Registrar certifying that the merchant debtor has complied with the provisions provided for in the Register for the two years preceding the Restructuring Application;
- C. A certificate from Oman Chamber of Commerce and Industry ("OCCI") certifying its OCCI membership for the two years preceding the Restructuring Application;
- D. A copy of audited financial statements for the two years preceding the Restructuring Application;
- E. A statement on the total personal expenses linked to or in connection with the accounts of the merchant debtor for the two years preceding the Restructuring Application;
- F. A detailed statement on movable property and real estate of the merchant debtor and their approximate value at the time of filing of the Restructuring Application.
- G. A statement specifying the names of creditors and debtors, their addresses, the rights or debts and the security provided therefor;
- H. A certificate from the Ministry stating that no previous Restructuring Application has been filed or that a previous application has been filed and suspended with three months having gone past such action;
- I. A certificate from the Registrar stating that the merchant debtor has not been declared bankrupt/insolvent nor has it entered into a Composition Agreement; and
- J. Evidence of Application fee payment.

If the Application relates to a company, the Application shall, in addition to the documents mentioned in the preceding sub-clauses, be accompanied by a copy of the company's constitutive contract and articles of association certified by the Registrar; documents establishing the capacity of the merchant debtor; a resolution of the majority of shareholders, a shareholders' resolution, a resolution

⁵ Translator's note: Although inside the round brackets is in the original, the round brackets themselves are not, but placed simply to help the translation read better.

of the business owner, or a resolution of the extraordinary general meeting, as the case may be, requesting Restructuring; and a list of [names of] joint shareholders including their addresses and nationalities.

The above documents shall be dated and signed by the merchant debtor. The Application, however, shall include reasons for failure to submit or complete the data of certain documents should this be the case.

Article (9) (Filing of Restructuring Application with Competent Department)

Restructuring Applications shall be filed with the Competent Department and shall be registered in the prescribed register. The Competent Department shall maintain confidentiality of information relating to the Restructuring (Plan)¹ Applications, unless disclosure of such information is mandatory by virtue of law or [is] for the purposes of executing a settlement.

Section II

EXAMINATION OF RESTRUCTURING & SETTLEMENT APPLICATIONS

Article (10) (Examination and Adjudication on Restructuring Plan)

The Competent Department shall examine and inspect the Restructuring Applications, verify whether the Application documents have been submitted to its satisfaction, process the same [the application and accompanying documents], and draft a statement on the requests and grounds advocated by the [respective] parties, within a period not exceeding sixty (60) days from the Application registration date.

Article (11) (Mediation on the Restructuring Applications)

In respect of Restructuring Applications, the Competent Department shall hold mediation sessions in presence of the disputing parties or [in presence of] an agent authorized by them to settle the dispute. Should the interested party fail to attend two consecutive sessions, the Application shall stand suspended.

The Competent Department may hold meetings with the parties to the dispute, their agents, or [meet] each party separately. The Competent Department may take any action as deemed appropriate for the convergence of views with the

aim to reach a settlement (agreement) binding upon the parties. The Competent Department may seek the assistance of one or more experts on the Roster and instruct any party to the dispute to pay the Expert's fees.

Article (12) (Execution of Settlement Agreement)

Where a dispute settlement is reached, a settlement agreement shall be made, executed, and signed by all the parties. The settlement agreement shall provide for the details of such settlement and the mediation procedures performed. The Competent Department shall endorse the acceptance of the settlement and refer the file to the Court for approval.

Article (13) (Rejection of Settlement and Right of Appeal)

If a [dispute] settlement is not reached, the Application shall stand rejected. The interested party may appeal such decision before the Court within fifteen (15) days from the rejection notice date as and when communicated [to the interested party] at its address provided for in the Application. The Court, however, shall adjudicate such appeal within seven days from the referral date and the Court's decision in this regard shall be final.

Section III

RESTRUCTURING PLAN

Article (14) (Restructuring Committee)

At the stage of mediation towards settlement in respect of Restructuring Applications the Competent Department shall, and so shall the Court in any event and at any stage of dispute, constitute from amongst the experts listed in the Roster a committee to be called the "Restructuring Committee". The Restructuring Committee shall be competent to devise a Restructuring Plan, and manage and value the assets of the merchant debtor, in addition to performing any other functions assigned to it. The Competent Department or the Court, as the case may be, shall determine the remuneration of the Committee.

Article (15) (Restructuring Committee Report)

The Restructuring Committee shall submit a report to the Competent Department or the Court, as the case may be, within three months from the assignment date,

and shall include therein its opinion on the causes of distress to the business of the merchant debtor, the Restructuring feasibility, and the Restructuring proposed Plan. The Restructuring Plan, however, shall be implemented within a period of time not exceeding five (5) years.

Article (16)

Subject to the consent of the [Restructuring Plan] Executing Parties, the Competent Department shall refer the Restructuring Plan submitted by the Restructuring Committee to the Court for approval. If approval is given, such [Restructuring] Plan shall be binding upon the parties thereto.

The Court, if deemed necessary, may appoint an Associate for the merchant debtor from amongst Experts on the Roster or others so appointed by the parties. The remuneration of the Associate shall be determined as mutually agreed by the parties; however, failing such mutual agreement, the Court shall determine the Associate's remuneration. The Court, *sua sponte* [on its own motion] or at a reasonable request of a party to the Restructuring Plan, may replace the Associate.

Article (17) (Functions of the Associate)

The Associate shall be responsible to:

- A. Assist the merchant debtor in valuating its financial and administrative condition;
- B. Provide advice and technical support to the merchant debtor;
- C. Devise a mechanism for implementing the Restructuring Plan proceedings;
- D. Assist the merchant debtor with the implementation of the Restructuring Plan in cooperation with its creditors; and
- E. Prepare a report every three (3) months on the implementation of the Restructuring Plan and submit the same to the Competent Department and the parties to the [Restructuring] Plan to acquaint them with the Plan progress and the extent to which the merchant debtor is compliant with such Plan.

Article (18) (Debtor to Remain Responsible for its business)

Without prejudice to the [Restructuring] Plan a merchant debtor shall continue to manage its monies [assets] at the stage of the Restructuring Plan implementation and shall continue to be liable for any liability or contract resulting therefrom preceding or subsequent to the Restructuring Plan approval date.

Article (19) (Restriction on Conduct of Activities by Debtor)

A merchant debtor may not carry out any disposition that could undermine the interests of creditors, including sale, which is irrelevant to performance of its ordinary course of business, donation, gift, borrowing, lending, any act of donation, [provisions of] guarantees and mortgage, or any similar acts in violation of the Restructuring Plan.

Article (20) (Recourse to the Court During the Implementation of Restructuring Plan)

All interested parties may have recourse to the Court in respect of any action relating to the Restructuring Plan during the period of time of its implementation.

Article (21) (Grounds for Rejection of Restructuring Plan)

Without prejudice to Article (7) of this Law, the Competent Department shall suspend the Restructuring Application in the following circumstances:

- A. Failure to agree to a Restructuring Plan with creditors;
- B. Failure on the part of the merchant debtor to enclose with its Application the data or documents provided for in Article (8) of this Law or those [data or documents] requested to be submitted [by such merchant debtor] within the timeline determined therefor;
- C. Failure on the part of the merchant debtor to pay the costs and expenses necessary for the Restructuring proceedings, including the Associate's remuneration or if it becomes evident that the merchant debtor's assets are insufficient to pay therefor;
- D. If the causes promoting the merchant debtor to file the Restructuring Application cease to exist; and
- E. If, based on the data and documents submitted together with the Application or based on the report prepared by the Restructuring Committee, the Restructuring proceedings is unsuitable to the merchant debtor.

Article (22) (Prohibition on Filing of Suit Following Approval of Restructuring Plan)

Once a Restructuring Plan is approved, no suit arising between the merchant debtor and the Plan's Executing Parties in relation to the proceedings or progress of the [Restructuring] Plan shall be filed. Limitation periods in relation to suits, claims, and debts arising between the parties shall be suspended till the implementation of the Restructuring Plan is completed.

Any suit or judicial order, likely to hinder the Plan implementation, which is sought out by the Plan's Executing Parties shall fall within the purview of and be covered by (the prohibition provided for in) the preceding paragraph.

Article (23) (Termination of Restructuring Plan)

A Restructuring Plan shall come to an end once the implementation thereof is completed. However, on an application submitted by the [Restructuring] Plan Executing Parties, a Restructuring Plan may be terminated before such completion if the financial and administrative conditions of the merchant debtor has improved and thus discharged its debts; if the implementation of the [Restructuring] Plan is not possible; or if the [Restructuring] Plan has been violated for whatsoever reason. The Court shall pass down the termination decision.

Chapter II COMPOSITION

Section I COMPOSITION APPLICATION PROCEDURES

Article (24) (Application For Composition)

If the business of a merchant debtor is facing financial distress that could render such merchant unable to discharge its debts and [if] the merchant debtor has not committed any deceitful or wrongful act which is not expected of an ordinary merchant debtor, the merchant debtor may apply for Composition, provided that it has conducted the business for the two (2) years preceding the filing of the Application.

Article (25) (Filing of Composition by Legal Estate)

Person(s) to whom a shop has been transferred by way of inheritance or will may apply for Composition if they decide to continue the business, provided however the merchant debtor was, prior to his demise, eligible to apply for Composition as per Article (24) of this Law, and provided that the Application is made within three (3) months from the [merchant debtor's] demise date.

Should heirs or beneficiaries of the will disagree to the Composition Application, the Court shall hear the argument of those who objected the Application then adjudicate the same in the interests of the interested parties.

Article (26) (Filing of Composition by Corporate Entities)

With the exception of joint ventures, any commercial company may apply for Composition, if it meets the requirements provided for in Article (24) of this Law, subject to obtaining a permission to this effect from the majority of shareholders of General and Limited Partnerships; the extraordinary general meeting of Joint Stock Companies; the shareholders' meeting of Limited Liability Companies; or the owner of a One Person Company. However, a company in the process of liquidation may not apply for Composition.

A De facto corporation may apply for Composition.

Article (27) (Restructuring on Subsequent/Future Filing of Composition)

A merchant debtor, who is currently undergoing Composition, may not apply for another Composition.

Article (28) (Content of Composition Application)

A Composition Application shall be submitted to the Court and shall provide for the reasons for the financial (business) distress, propositions of the Composition and implementation assurances of such propositions. The Composition Application shall be accompanied by the following documents:

- A. Documents in support of the information contained therein;
- B. A certificate from the Registrar certifying that the merchant debtor has complied with the provisions provided for in the Register for the two years preceding the Application submission;
- C. A certificate from Oman Chamber of Commerce and Industry ("OCCI") certifying its OCCI membership for the two years preceding the Application submission;
- D. A copy of audited financial statements for the two years preceding the Application submission;
- E. A statement on the total personal expenses linked to or in connection with the accounts of the merchant debtor for the two years preceding the Application submission;
- F. A detailed statement on movable property and real estate of the merchant debtor and their approximate value at the time of filing of the Application submission.
- G. A statement specifying the names of creditors and debtors, their addresses, the rights or debts and the security provided therefor;

- H. A certificate from the Ministry stating that no previous Restructuring Application has been filed or that a previous application has been filed and suspended with three months having gone past such action;
- I. A certificate from the Registrar stating that the merchant debtor has not been declared bankrupt/insolvent nor has it entered into a Composition Agreement; and
- J. Evidence of Application fee payment.

If the Application relates to a company, the Application shall, in addition to the documents mentioned in the preceding sub-clauses, be accompanied by a copy of the company's constitutive contract and articles of association certified by the Registrar; documents establishing the capacity of the merchant debtor; a resolution of the majority of shareholders, a shareholders' resolution, a resolution of the business owner, or a resolution of the extraordinary general meeting, as the case may be, requesting Composition; and a list of [names of] joint shareholders including their addresses and nationalities.

The above documents shall be dated and signed by the Composition Applicant. The Application, however, shall include reasons for failure to submit or complete the data of certain documents should this be the case. The Court's Secretariat shall execute minutes stating receipt of such documents.

The [Composition] Judge, within the timeline [he] grants, may oblige the merchant debtor to provide additional documents or [further] information in respect of its financial condition.

Article (29) (Applications of Composition and Bankruptcy/Insolvency at the same time)

If an Application for declaration of bankruptcy/insolvency of a merchant debtor and another Application for Composition are filed with the Court, the Bankruptcy/Insolvency Application may be adjudicated only after the Composition Application has been adjudicated.

Section II

DECIDING ON A COMPOSITION APPLICATION

Article (30) (Interim Court Directives)

The Court considering a Composition Application may order (enforcement of) prejudgment measures in respect of the merchant debtor's monies pending a decision on the Application. The Court may take whatever measures necessary to acquaint itself with and encompass the financial condition of the merchant debtor and causes of financial distress.

The Court shall consider the Composition Application in a session held in camera, expeditiously, and decide on the Application with a final judgment.

Article (31) (Grounds for Rejection of Composition Application)

The Court shall reject a Composition Application if:

- A. The Composition Applicant has not submitted the documents and data provided for in Article (28) of this Law or has submitted the same incomplete without justification;
- B. The merchant debtor has been previously convicted of any insolvency offence or of an offence involving forgery, theft, fraudulence, dishonesty or embezzlement of public funds, unless rehabilitated; and/or
- C. [The merchant debtor] has quitted engaging in business, closed its shop, or absconded.

Article (32) (Imposition of Fines for False Application for Composition)

If the Court rejects a Composition Application, it may rule that, a fine between a minimum of OMR 500 and a maximum of OMR 1000 shall be paid by the merchant debtor should it become evident to the Court that such merchant debtor deliberately deceived the Court into thinking that the merchant debtor's business is facing distress or that the merchant debtor deliberately caused distress [to its business].

Article (33)

If the Court accepts a Composition Application, it shall order the commencement of the Composition proceedings. The Court order [judgment] shall include:

- A. Appointment of a Court Judge to oversee the Composition proceedings; and
- B. Appointment of one or more Composition Secretaries to initiate and follow-up the Composition proceedings.

The Court, in the order [judgment] on commencement of the Composition proceedings, may order the merchant debtor to deposit with the Court's Secretariat a cash amount determined by the Court to meet the proceedings' expenses. The Court may cancel or suspend the Composition proceedings if the merchant debtor fails to deposit the aforementioned amount on the specified date.

Article (34)

The Composition Secretary shall be appointed from amongst the Experts on the Roster. The Composition Secretary shall, on a daily basis, record all the activities relating to the Composition in a special paginated journal [book] bearing the signature or stamp of the Composition Judge. Upon completion of the Composition proceedings, it shall be endorsed on the journal as such. The Court, the Composition Judge, and the [Composition] parties may have access to such journal.

Section III

APPEAL(S) AGAINST DECISIONS OF THE COMPOSITION JUDGE

Article (35) (Appeals)

Subject to the provisions of Article (30) of this Law, appeals may be made against decisions rendered by the Composition Judge. The appeal, on a statement submitted to the Court's Secretariat and served on the interested parties, shall be filed within ten (10) days from the decision date. The Court shall consider the appeal at the first session without engaging the Composition Judge in the consideration thereof.

Article (36) (Suspension of Appealed Decision)

Unless the Court orders the enforcement of a Composition Judge's decision, the appeal [against such decision] shall result in the suspension thereof pending Court's adjudication on the appeal.

However, if the appeal is rejected, the Court may rule that, a fine of a maximum of OMR 1000 shall be paid by the Petitioner, should it become evident to the Court that the Petitioner deliberately frustrated the enforcement of the Composition Judge's decision.

Section IV

COMMENCEMENT OF COMPOSITION PROCEEDINGS

Article (37) (Appointment of Court Secretariat)

The Secretariat of the Court shall serve the Composition Secretary with the decision issued on his appointment immediately after it has been issued. The Composition Secretary shall, within five (5) days from the notice date, record the order [judgment] on the commencement of the Composition proceedings in the register and shall publish, in a daily newspaper or any other widespread means of publication determined by the Composition Judge, a summary of the same together with a meeting notice extended to creditors. The Composition Secretary, during the said timeline, shall serve the meeting notice together with the Composition proposals to creditors at their registered addresses.

Article (38) (Attestation of Debtor's Financial Statements by Composition Judge)

Immediately after an order [judgment] on the commencement of the Composition proceedings has been handed down, the Composition Judge shall, on the date of appointment, approve the financial statements of the merchant debtor and shall endorse his signature on the same. The Composition Secretary shall, within twenty-four (24) hours from the order [judgment] notice, inventory [all] monies of the merchant debtor in its presence or in the presence of its representative.

Article (39) (Continuation in the Management of Business by Debtor and Restriction on Conduct of Activities)

After an order [judgment] on the commencement of the Composition proceedings has been handed down, the merchant debtor shall continue to manage its monies under the supervision of the Composition Secretary. The merchant debtor may carry out all ordinary business transactions; however, it may not make any donations after the said order [judgment] has been handed down. Such donations shall not be enforceable in respect of creditors.

After an order [judgment] on the commencement of the Composition proceedings has been handed down, the merchant debtor may not enter into a Composition agreement or a mortgage of whatsoever nature nor may it conduct any property transfer transaction not required in the [performance of its] ordinary course of business, without obtaining a permission from the Composition Judge. Without prejudice to the rights of the transferee acting in good faith, no transaction made to the contrary shall be held or pleaded against creditors.

Article (40) (Suspension of All Ongoing Proceedings filed against the Debtor)

Once an order [judgment] on the commencement of the Composition proceedings is handed down, all suits and enforcement proceedings against the merchant debtor shall be suspended. However, suits filed by enforcement proceedings initiated by the merchant debtor shall remain valid and the Composition Secretary shall be joined thereto.

Once an order [judgment] on the commencement of the Composition proceedings is handed down, registration of mortgages and priority rights prescribed on the monies of the merchant debtor may not be held or pleaded against creditors.

Article (41) (Ongoing Debts Not to Mature for Payment)

Issuance of an order [judgment] on the commencement of the Composition proceedings shall not give rise to the maturity of debts payable by the merchant debtor or suspension of the debt returns.

Article (42) (Concealment of Assets and Conduct of Unlawful Accounts)

If, after submission of a Composition Application, the merchant debtor conceals part of or destroys its monies, conducts – in bad faith - transactions detrimental to creditors or [conducts] transactions in violation of the provisions of Article (39) of this Law, the Court, on its own motion, shall cancel the Composition proceedings.

Article (43) (Surrenders of Original Documents)

All creditors, even if their debts are not currently payable or secured by special collaterals or established by virtue of final judgments, shall hand over to the Composition Secretary within fifteen (15) days from the date on which publication of the summary of the order [judgment] on the commencement of the Composition proceedings was made in accordance with Article (37) of this

Law - the original documents of their debts together with debts' details, collaterals (if any), and amount in Omani Riyals. Creditors residing outside Oman shall send details and documents of the debts to the Composition Secretary. The deadline for submission of debts' original documents, details, and/or collaterals shall be thirty (30) days from the date on which publication of the summary of the order [judgment] on the commencement of the Composition proceedings was made.

Section V

SCHEDULE OF DEBTS & THEIR REALIZATION

Article (44): (Preparation of Schedule of Debts)

Upon expiry of the deadline provided for in Article (43) of this Law, the Composition Secretary shall prepare a schedule called "Schedule of Debts". The Schedule of Debts shall provide for names of creditors who asked to participate in the Composition proceedings, details of the amount of each debt (separately), [each debt's] supporting documents and collaterals (if any), and the Composition Secretary's opinion on acceptance or rejection thereof⁷. The Composition Secretary may require any creditor to submit clarifications on the debt, furnish the [debt] documents to satisfaction, or modify the amount or description thereof.

Article (45): (Right to Vote on Composition)

Each ordinary creditor shall have the right to vote on the Composition, even if such creditor has received a part of its debt from the merchant debtor's co-debtor or guarantor.

Article (46): (Submission of Schedule of Debts)

The Composition Secretary shall submit the Schedule of Debts to the Secretariat of the Court within forty (40) days from the date on which an order [judgment] on the commencement of the Composition proceedings has been handed down. On the Composition Judge's decision, the said timeline may be extended if necessary.

The Composition Secretary, within three (3) business days from the submission date, shall publish a statement on such submission in two widely circulated daily newspapers to be determined by the Composition Judge.

⁷ AMJ's note: From the context, we believe the reference is made to the debt.

All interested parties may access the Schedule of Debts submitted to the Secretariat of the Court.

Article (47): (Creditors Rights to Dispute Debts)

A merchant debtor and all creditors whose names appear on the Schedule of Debts may dispute the debts listed on the Schedule within ten (10) days from the date of publishing a statement on submission of the Schedule [of Debt] in the newspapers. Such dispute shall be filed with the Secretariat of the Court.

Article (48): (Creditors Not Allowed to Participate in the Composition)

Neither creditors who have not submitted the original documents of their debts within the timeline provided for in Article (43) of this Law nor creditors whose debts have not finally or temporarily been accepted may participate in the Composition proceedings.

Article (49): (Meeting of Creditors for discussions on Composition)

On verification of debts, the Composition Judge shall set a date for creditors' meeting whereby they shall deliberate over the Composition proposals. The meeting notice shall be sent to each creditor whose debt has been finally or temporarily accepted. The Composition Judge may order the notice to be published in a widely circulated daily newspaper.

Article (50): (Final Determination of the Undisputed Debts)

On expiry of the timeline provided for in Article (47) of this Law, the Composition Judge shall devise a final Schedule of undisputed debts. The Composition Judge, on the description of each debt, shall endorse acceptance in full or in part in respect of each debt. The Composition Judge may deem a debt to be disputed, even if no dispute has been filed in respect thereof.

On expiry of the timeline set out for [debt] dispute, the Composition Judge shall decide on the disputed debts within thirty (30) days. The Secretariat of the Court shall notify all interested parties of the date of the session [hearing] at least three days before it is held. The Court's Secretariat shall also notify them of the decision issued in the dispute immediately upon its issuance.

Article (51): (Filing of Appeal against Rejection of Debt)

An appeal may be filed before the Court against a debt acceptance or rejection decision issued by the Composition Judge, within ten (10) days from resting the decision [with the Court's Secretariat] or serving a notice of the same. The appeal shall not result in the suspension of the Composition proceedings, unless the Court orders such suspension.

The Court may, before deciding on the appeal, order the acceptance of debt temporarily for an amount fixed by it, unless a criminal case has been filed in respect thereof.

If the dispute on the debt relates to its collaterals, it shall be accepted provisionally as an ordinary debt.

Article (52): Filing of Report by Composition Secretary

The Composition Secretary shall submit to the secretariat of the Court, at least five (5) days before the date fixed for the meeting of creditors, a report on the financial condition of the merchant debtor and causes of its [financial] distress and a list of names of creditors who are entitled to participate in the Composition proceedings. The report shall contain the opinion of the Composition Secretary on the conditions proposed for the Composition by the merchant debtor.

All interested parties may seek the permission of the Composition Judge to peruse the aforementioned report.

Article (53): Meeting of Creditors

The Composition Judge shall chair the meeting of creditors. The meeting shall be attended by the merchant debtor in person or the representative of the debtor company, as the case may be. The merchant debtor may not appoint any agent to appear on his behalf except by virtue of a special power of attorney.

Deliberations on the conditions of the Composition may be held only after reciting the report of the Composition Secretary stipulated in Article (52) of this Law. The merchant debtor may seek to modify its conditions for the Composition during deliberations.

Section VI APPLICATION OF COMPOSITION

Article (54): Creditors Approval

The Composition shall be applicable only with the approval of majority of creditors whose debts have been accepted finally or provisionally, provided they possess two-thirds of the value of such debts.

The two majorities shall not take into account the creditors who did not participate in voting nor shall their debts be calculated.

If the Composition pertains to a company that has issued bonds or sukuk the value of which exceeds one-third of its total debts, the Composition may not be made unless the general meeting of the group of bondholders or sukuk owners approve the same.

Article (55): The Family of the Debtor and the Assignee of Debts may not participate in the Meeting

The spouse of a Composition Applicant, his close relatives, or in-laws may not participate in the deliberations on Composition or voting on its conditions.

If a creditor, whose debt has been accepted finally or provisionally, assigns its debt to a third party after an order for initiating Composition proceedings has been issued, the assignee may not participate in the deliberations or voting on the Composition.

Article (56): Secured Creditors Have Novate

Creditors who are owners of in kind or movable securities prescribed on the monies of the Composition Applicant, whether such securities are placed over movables or real estate properties, may not participate in voting on Composition through their debts secured by the aforementioned securities, unless they have assigned such securities in advance. The assignment may be confined to a part of the security, provided it is not below the equivalent of one-third of the debt. However, the assignment shall be endorsed in the Composition session minutes.

If a creditor mentioned in the preceding paragraph participates in voting on the Composition without declaring the assignment of his security, in whole or in part, this shall be treated as an assignment of the security in its entirety.

In all cases, the assignment of security shall be final only if the Composition is made and ratified by the Court. If the Composition is invalidated, the assigned security shall return.

Article (57): Effectiveness of the Composition

The Composition shall be enforced at the session in which the voting has taken place, failing which it shall be null and void. In the event of non-availability of the two majorities stipulated in Article (54) of this Law, deliberations shall be deferred for a period of ten (10) days.

Creditors who attended the first meeting or were represented thereat and signed the Composition minutes may not attend the second meeting. In this case, their approval of the Composition given during the first meeting shall remain intact and effective at the second meeting, unless they attend such meeting and withdraw or modify their previous approval or if the merchant debtor makes substantial modifications in its proposals on the Composition during the period between the two meetings.

Article (58): Signing of Composition Minutes

Composition session minutes shall be prepared and signed by the Composition Judge, Composition Secretary, merchant debtor and the creditors present.

Within ten (10) days from signing the composition minutes, every creditor who has the right to participate in the deliberations on Composition may notify the Composition Judge, in writing, of its objection(s) to the Composition and reasons for such objection.

The Composition Judge shall, within seven (7) days from expiry of the period of time stipulated in the preceding paragraph, send the Composition minutes to the Court which has issued the order initiating the Composition proceedings, for ratification. It shall be accompanied by a report from the Composition Judge on the financial condition and causes of (business) distress of the merchant debtor, the conditions for Composition and a description of the objections made to the Composition and reasons for such objections.

Article (59): Filing of an Appeal Against Rejection ratification of Composition

A debtor who did not approve the Composition shall have the right to attend the ratification session and establish its objection. The Court, after hearing the merchant debtor and creditors present, shall adjudicate ratification or rejection of the Composition.

An appeal against orders issued ratifying the Composition may not be made. The merchant debtor may file a petition for reconsideration of the order issued rejecting the ratification of the Composition within fifteen (15) days of its issuance or notification of the same, as the case may be.

If the Court rejects the objection to the Composition, it may order the objecting party to pay a minimum fine of OMR 100 and a maximum fine of OMR 500 if it is proved that the objecting party obstructed the composition deliberately.

Article (60): Terms of the Composition

The Composition may include granting the merchant debtor grace periods for repayment of its debts.

It may also include relieving the merchant debtor from repayment of a part of the debt.

The Composition may be made under the condition of repayment if the merchant debtor becomes solvent during a period of time specified in the conditions of Composition, provided that it does not exceed five (5) years from the date of the ratification of the Composition. The merchant debtor shall not be deemed solvent unless its assets exceed its debts by at least 10%.

Section VII RATIFICATION OF COMPOSITION

Article (61): Publication of Summary of the Ratification Orders

The Composition Secretary shall publish a summary of the order issued on the ratification of the Composition in the Official Gazette within fifteen (15) days from the date of its issuance. The summary of the order shall specify the name of the merchant debtor, its domicile, its registration number, the Court that has ratified the Composition and the date of the ratification order.

Article (62): Effective Date of Composition

The Composition shall be applicable, immediately upon the issuance of the order on its ratification, to all the creditors whose debts are considered ordinary, unsecured by a priority right or mortgage, even if they did not participate in its proceedings nor approve its conditions.

Debtors [who are] jointly liable with the merchant debtor or its guarantors in the debt shall not benefit from the Composition. However, if the Composition is made with a company, partners who are liable in all of their funds for the debts of the company shall benefit from its conditions, unless the Composition Agreement provides otherwise.

The Composition shall neither be applicable to alimony debt nor to debts arising after the issuance of the order on the opening of the Composition proceedings.

Article (63): Grace Period for payment of Debts outside of the Composition

The Court that has ratified the Composition may grant the merchant debtor, on its request and after hearing the statements of the creditors, grace periods to pay the debts to which the Composition is not applicable and which arose before the issuance of the order on the opening of the proceedings, provided the grace periods granted by the Court do not exceed the period of time prescribed in the Composition. This provision shall not be applicable to alimony debts.

Ratification of the Composition shall not result in the merchant debtor's deprivation from grace periods that may be longer than the grace period prescribed in the Composition Agreement.

Article (64): Retention of Composition Secretary and Termination of Composition

On a report from the Composition Judge, the Court, in the Composition Ratification Order, shall order the retention of the Composition Secretary, the appointment of a Controller from among the creditors or third parties to monitor the implementation of the Composition conditions and notify the Court of any violations of such conditions taking place.

The Composition Secretary or the Controller, as the case may be, shall mark and mention the amounts paid to the creditors on the debt instrument and the

creditor shall hand over an acknowledgement receipt to the merchant debtor to be signed by the Composition Secretary or the Controller, as the case may be, under the supervision of the Composition Judge.

The Composition Secretary or the Controller shall request the Court that has ratified the Composition, within ten (10) days from completing the implementation of the Composition conditions, to order the end of proceedings. Such request shall be published in accordance with Article (61) of this Law.

The order to end the proceedings shall be issued within thirty (30) days from the date of publication and its summary shall be recorded on the Register.

Article (65): Termination of Composition at request of the Creditor

The Court, on a petition from any creditor to whom the conditions of the Composition apply, may adjudicate its abrogation in the following cases:

- A. If the merchant debtor fails to implement the conditions of Composition as agreed on.
- B. If the merchant debtor, after the ratification of Composition, carries out a transaction transferring the ownership of its shop or any of its other properties without a reasonable justification.
- C. If the merchant debtor dies and it is proved that implementing or completing the implementation of the Composition is not desirable.

Creditors shall neither be under obligation to refund the debt payments received before the order on the abrogation of Composition is issued, nor shall the abrogation of the composition result in the quittance of the guarantor guaranteeing the implementation of the composition conditions. The guarantor shall be requested to attend the session at which the petition for the abrogation of the composition is considered.

Article (66): Invalidity of Composition

The Composition shall be invalid if, after its ratification, it appears that there has been a fraud on the part of the merchant debtor. Fraud shall particularly include concealment of monies, or concealment or false pretences of debts or deliberate exaggeration of their assessment.

Every interested party may apply for Composition nullification within six (6) months from the date on which the fraud is discovered, failing which the application shall

be treated as unacceptable. In all cases, the application shall not be acceptable if it is filed after the passage of one year from the date of the issuance of the order on the ratification of the Composition. The creditors shall not be under any obligation to refund the credit payments received before an order on the invalidation of Composition is issued. The merchant debtor shall be acquitted to the extent of repayments it has made. The Composition nullification shall result in the quittance of the guarantor guaranteeing the implementation of the Composition conditions. The Court that has issued the order on ratification of the Composition shall be competent to consider the Composition nullification claim.

Article (67): Determination of Composition Secretary's Remuneration

The Composition Judge shall assess the remuneration of the Composition Secretary and the Controller if he is not a creditor. The Composition Judge's decision in this regard shall be deposited with the Secretariat of the Court on the following day of its issuance. Every interested party may object the decision before the Court within fifteen (15) days from the date on which it comes to his knowledge. The order issued on the objection shall be final.

Article (68)

The Court may, on its own motion or on a report from the Composition Judge, order in the judgment ending Composition proceedings, that the Controller be paid remuneration if he is not a creditor, if it is established that the Controller has exerted extraordinary efforts in his duty and the financial condition of the merchant debtor allows him to do so.

Part II

BANKRUPTCY/INSOLVENCY

Chapter I

DECLARATION OF BANKRUPTCY/INSOLVENCY

Section I

APPLICATION FOR DECLARATION OF BANKRUPTCY/INSOLVENCY

Article (69): Condition of Bankruptcy

A merchant, who has ceased to pay off its commercial debts following distress of

its business, may apply for the declaration of its Bankruptcy/Insolvency. Ceasing to repay the debt shall be treated as evidence of business distress, unless proved otherwise. Bankruptcy/Insolvency shall result only following an order issued on the declaration of Bankruptcy/Insolvency. Without such order, the cease of repayment of debts shall have no repercussions, unless the Law provides otherwise.

Article (70): Who may file for Bankruptcy

The Bankruptcy/Insolvency of a merchant debtor shall be declared by an order issued on its application or an application filed by anyone of the creditors. The Court may adjudicate the declaration of Bankruptcy/Insolvency on its own.

The Bankruptcy/Insolvency of the merchant debtor may also be declared after his demise or its abandonment of the business, if he dies or abandons the business while in the state of discontinuation of repayment. The Bankruptcy/Insolvency Declaration Application shall be filed within the year following the death or abandonment of business. Such timeline shall be applicable in case of abandonment of business only from the date on which the name of the merchant debtor is struck off the Register.

Heirs of the merchant debtor may apply for the declaration of his Bankruptcy/Insolvency after his death keeping in mind the timeline specified in the preceding paragraph. If some of the heirs objected the declaration of Bankruptcy/Insolvency, the Court shall hear their objections and then decide on the Application in accordance with the interests of the concerned parties.

A statement of plaint for the declaration of Bankruptcy/Insolvency, in case of the death of the merchant debtor, shall be served on the heirs at the last domicile of the deceased. A claim instituted by a creditor for declaration of bankruptcy/Insolvency of the merchant debtor, by virtue of a credit that is fully secured shall not be acceptable, unless the value of the debt exceeds the value of the security.

Article (71): Debtor Filing for Bankruptcy

The merchant debtor may request the declaration of its Bankruptcy/Insolvency, within fifteen (15) days from the date on which it has discontinued the repayment, by virtue of an application filed with the Secretariat of the Court specifying the reasons for discontinuation of repayment, accompanied by the following documents:

- A. Original copies of commercial books;
- B. A copy of the last audited balance sheet and profit and loss account;
- C. A statement, on the total personal expenses linked to the accounts of or related to the merchant debtor, for two years preceding the filing of the Bankruptcy/Insolvency Application or for the period of time it was in the business if it is less than that;
- D. A comprehensive statement on movable monies and real estate properties of the merchant debtor and their approximate value at the time of the discontinuation of repayment and also the cash amounts deposited in its name with banks in Oman or abroad;
- E. A statement specifying names of creditors and debtors, their addresses, the amount of their rights and debts and collaterals, if any.
- F. A statement on protests for non-payment relating to securities filed against the merchant debtor during two years preceding the filing of the Bankruptcy/Insolvency Application.
- G. A certificate from the Registrar stating that no order on the opening [initiation] of Composition proceedings has been issued and evidence to the effect that it has not submitted any Application for Restructuring.

The documents referred to in the preceding paragraph shall bear the date and signature of the merchant debtor. If it is not possible to submit some of these documents or complete their details, the merchant debtor shall explain the reasons and the Secretariat of the Court shall prepare a record indicating receipt of such documents. The Court, within the period specified by it, may ask the merchant debtor to submit additional documents or information on its financial condition.

Article (72): Debts in respect of Application for Bankruptcy may be filed

Each creditor, with a matured undisputed commercial debt, may file an application for declaration of Bankruptcy/Insolvency of the merchant debtor, if the latter discontinues the repayment of its debt. A creditor with a civil matured debt shall have a similar right if such creditor proves that the merchant debtor ceased repayment of its matured commercial debts in addition to its civil debt.

A creditor with a deferred commercial debt shall have the right to apply for declaration of Bankruptcy/Insolvency [of the merchant debtor], if no domicile in Oman has been identified for the merchant debtor, or if the merchant debtor

takes recourse to absconding, closes or commences liquidation of its shop, or carries out transactions detrimental to its creditors, subject to the condition that the creditor submits evidence that the merchant debtor has discontinued to repay its matured commercial debts.

The creditor shall apply for declaration of Bankruptcy/Insolvency of the merchant debtor by virtue of an application filed with the Secretariat of the Court in order to take prejudgment measures against the merchant debtor, and a statement of evidence indicating that the merchant debtor has ceased to repay its debts.

The application shall be accompanied by evidence of the deposit of an amount of OMR 200 with the Secretariat of the Court to cover the expenses for the publication of the order issued on the declaration of Bankruptcy/Insolvency in the Official Gazette.

Article (73): Failure to Pay Statutory Debts may not result in Bankruptcy

An application for the declaration of Bankruptcy/Insolvency of the merchant debtor shall not be acceptable if it ceased to pay off fines, taxes, fees or social insurance contributions payable by the merchant debtor.

Section II

ORDER ON DECLARATION OF BANKRUPTCY/INSOLVENCY

Article (74): Declaration of Bankruptcy on the Court's Initiative

If the Court, on its motion as per Article (70/1) of this Law, decides to declare the Bankruptcy/Insolvency of the merchant debtor, the Secretariat of the Court shall declare it on the date of the session. The absence or inability of the merchant debtor to give its opinion shall not prevent the order in the case of declaration of Bankruptcy/Insolvency.

Article (75): Expeditious Resolution of Bankruptcy Cases

The cases of Bankruptcy/Insolvency shall be considered expeditiously and the orders issued on them shall be enforceable immediately without [depositing] a guarantee, unless provided otherwise.

Article (76): Interim Orders

The Court considering the Bankruptcy/Insolvency case may order prejudgment measures to be taken in respect of the monies of the merchant debtor or the management of such monies for a period of three (3) months renewable for other periods till a decision is taken in respect of the case. The Court may also take further measures that enable it to acquaint itself with the financial condition of the merchant debtor and the reasons for ceasing repayment.

Article (77): Court to Have Jurisdiction on all matters of Insolvency

The Court shall be competent to consider all cases arising from the Assets in Bankruptcy/Insolvency cases involving Assets in Bankruptcy/Insolvency as filed against or by third parties.

Cases shall particularly be treated as resulting from Assets in Bankruptcy/Insolvency if they are related to its monies, management or its assets, or if adjudication on the same requires application of the provisions of this Law.

Article (78): Bankruptcy Order

The Court shall, in the order on the declaration of Bankruptcy/Insolvency, fix a provisional date for discontinuation of repayment, appoint a Receiver, appoint a Court judge as a Insolvency/Bankruptcy Judge and order the sealing of the merchant debtor's shop till its monies have been inventoried. A copy of the order shall be sent to the Public Prosecutor.

Article (79): Date for Discontinue of Payment

The Court may, while fixing a date for discontinuation of payment, refer to any act, statement or action said or done by the merchant debtor that reveals distress of its business or [reveals] its efforts to continue its commercial activity through means that are unlawful or detrimental to its creditors. This shall particularly include the merchant debtor's absconding, the concealment of its monies or the sale of its monies at loss, entering into loans at exorbitant conditions or engaging in irresponsible speculations.

If the order on the declaration of Bankruptcy/Insolvency does not fix a date on which the merchant debtor discontinued the payment, the date of issuance of the order on the declaration of Bankruptcy/Insolvency shall be treated as the provisional date for discontinuation of payment.

If the order on the declaration of Bankruptcy/Insolvency is issued after the death of the merchant debtor or after its abandonment of business and the order does not specify the date for the discontinuation of payment, the date of death or abandonment of business shall be treated as the provisional date for discontinuation of payment.

Article (80): Change in the date for Discontinuation of Payment

The Court, on its own motion or on an application filed by the merchant debtor, creditor, Receiver or any other interested party, may change the provisional date for discontinuation of payment, till the date of deposit of the final list of debts with the Secretariat of the Court. After expiry of this period, the date fixed for discontinuation of payment shall be treated as final.

In all cases, discontinuation of payment may not be backdated to more than two (2) years preceding the date of issuance of the order on the declaration of Bankruptcy/Insolvency. The Receiver shall record the order changing the date of discontinuation of payment in the Register.

Article (81): Publication of Summary Order

The Secretariat of the Court issuing the order on the declaration of Bankruptcy/Insolvency shall notify the Receiver immediately upon the issuance of the order to start the Bankruptcy works. The Receiver shall record the order in the Register.

The Receiver shall publish the summary of the order in the Official Gazette within two (2) weeks from the date of its issuance. The summary shall include the name of the Bankrupt/Insolvent debtor, its domicile, registration number, the name of the Court that has issued the order, the date of its issuance, the provisional date for the discontinuation of payment, the name of the Bankruptcy/Insolvency Judge and the name and address of the Receiver. The order published shall also include an invitation to creditors to submit their debts in relation to the Assets in Bankruptcy/Insolvency.

In case of a change in the date of discontinuation of payment, the order published shall, in addition to the aforementioned information, include the new date fixed by the Court.

The Receiver shall record the summary in the name of the group of creditors in the Real Estate Register within thirty days from the date of the issuance of the

order. Such recording shall not result in the determination of a mortgage or any other security for the group of creditors.

Article (82): Objection to the Order on Declaration of Bankruptcy

Every interested party that is not a litigant may object to the order on declaration of Bankruptcy/Insolvency before the Court that has issued it within fifteen (15) days from the date of publication of the summary of the order in the Official Gazette.

Article (83): Filing of Bankruptcy Petition on Improper Grounds

If the merchant debtor has applied for declaration of its Bankruptcy/Insolvency and the Court has adjudicated the rejection of the application, it may order a minimum fine of OMR 200 and a maximum fine of OMR 500, if it finds that the merchant debtor has pretended insolvency deliberately. The summary of the order shall be published at his expense in the Official Gazette.

If a creditor has applied for declaration of Bankruptcy/Insolvency and the Court has adjudicated the rejection of the application, the creditor shall be ordered to pay the fine stipulated in the preceding paragraph. The order shall be published, at the creditor's expense, in the Official Gazette, if it finds that the creditor deliberately undermined the business reputation of the merchant debtor, without prejudice to the merchant debtor's right to seek compensation.

Article (84): Initial Payments from Public Treasury

If, at the time of the issuance of the order on declaration of Bankruptcy/Insolvency, cash amounts are not available in the Assets in Bankruptcy/Solvency to meet the expenses of the order, or its registration or publication, the sealing of the insolvent debtor's shop, the attachment of its property or the removal of such attachment, these expenses shall be paid from the public treasury on a Court order. The public treasury shall recover the amounts paid by it in preference to all the creditors from the first cash amounts made available from the Assets in Bankruptcy/Insolvency.

Article (85): Cancellation of Bankruptcy Order

If the insolvent debtor pays all his commercial debts before the order on declaration of Bankruptcy/Insolvency attain the force of res judicata, the Court shall adjudicate the repeal of the order on declaration of Bankruptcy/Insolvency; however, the insolvent debtor shall bear all expenses of the case.

Section III

RECEIVER

Article (86): Appointment of Receiver

The Court shall, in the order on the declaration of Bankruptcy/Insolvency, appoint a legal representative to manage the Assets in Bankruptcy/Insolvency, to be called (the Receiver) from amongst the Roster of Experts or otherwise, as the case may be.

The Insolvency/Bankruptcy Judge may, on his own motion or on an application filed by the insolvent debtor or the Observer, order the addition of one or more Receivers.

Article (87): Who May not be as Receiver

A person-, who is a spouse of the insolvent debtor or his close relative up to fourth degree , or who was his partner, employee, accountant or agent during the two (2) years preceding the declaration of Bankruptcy/Insolvency, or who was previously convicted of offences of insolvency, theft, embezzlement of public funds, dishonesty, fraud, forgery, bribery or perjury, or of any other offence undermining the national economy or an offence stipulated in this Law,- may not be appointed as Receiver.

Article (88): Functions of Receiver

The Receiver shall manage and safeguard the Insolvency/Bankruptcy monies and shall represent the Insolvent debtor in all the cases and works required by such management.

The Receiver shall, on a daily basis, enter all the works related to the management of Assets in Bankruptcy/Insolvency in a special paginated journal, to be signed or stamped and indicated as completed at the end of such journal by the Insolvency/Bankruptcy Judge.

The Court, the Insolvency/Bankruptcy Judge and the Observer may access and peruse such journal at any time. The Insolvent debtor shall also be entitled to access and peruse it with the permission of the Insolvency Judge.

Article (89): Multiple Receivers and Delegation

If the number of Receivers is more than one, they shall act collectively and shall be jointly liable for their management. The Insolvency Judge may distribute the work among them or assign a specific job to one of them.

In this case, the Receiver shall be responsible only for the job entrusted to him. The Receivers may delegate some of them to carry out the jobs entrusted to them. They may not delegate their authority to a third party.

Article (90): Objections from Bankrupt as to the Works of the Receiver

The Insolvent debtor or Observer may object to the Insolvency/Bankruptcy Judge against the works of the Receiver before their completion. The objection shall result in the suspension of such works. The Insolvency/Bankruptcy Judge shall decide on the objection within seven (7) days from the date on which it has been filed. The decision made by the Insolvency/Bankruptcy Judge shall be final.

Article (91): Removal of Receivers

The Court, on its own motion, or on the request of the Insolvency/Bankruptcy Judge, the Insolvent debtor or the Controller, may order the expulsion of the Receiver for justifiable reasons and appointment of another Receiver or reduce the number of Receivers if they are many.

Article (92): Receiver's Remuneration

The remuneration and expenses of the Receiver shall be assessed by a decision of the Insolvency/Bankruptcy Judge after the Receiver submits a report on the completion of his management. The Insolvency/Bankruptcy Judge may order the payment of amounts to the Receiver before the submission of the aforementioned report, to be deducted from his remuneration.

Section IV

INSOLVENCY/BANKRUPTCY JUDGE

Article (93): Powers and Functions of Insolvency/Bankruptcy Judges

In addition to exercising the powers vested in him by virtue of the provisions of this Law, the Insolvency/Bankruptcy Judge shall:

A. Monitor the management of Insolvency/Bankruptcy, observe the progress of its

procedure, and order necessary measures to be taken to safeguard its monies. He may also entrust the Receiver to file cases or initiate other proceedings required for the management of Assets in Insolvency/Bankruptcy;

- B. Invite creditors to meetings in cases specified in the Law, provided such meetings are chaired by him;
- C. Submit a report to the Court on the Insolvency/Bankruptcy status every three (3) months and another report on every dispute relating to Insolvency/Bankruptcy, and the Court shall be competent to decide thereon; and
- D. Summon the Insolvent debtor, its heirs, agents, employees or any other person to hear their testimony in matters relating to the Assets in Insolvency/Bankruptcy.

Article (94): Decision of the Insolvency/Bankruptcy Judge

The decisions of the Insolvency/Bankruptcy Judge shall be deposited with the Secretariat of the Court on the following day of their issuance. He may order the Court Secretariat to notify every interested party of these decisions through the means he deems appropriate.

Article (95): Objections to Insolvency/Bankruptcy Judges' Decision

No objection may be filed against decisions taken by the Insolvency/Bankruptcy Judge unless the law provides for their admissibility or the decision falls beyond the scope of his jurisdiction. The objection shall be submitted within ten (10) days from the date of deposit of the decision by virtue of a statement of objection deposited with the Secretariat of the Court and served on the interested parties. The Court shall consider the objection at the first session following the submission of objection without involving the Insolvency/Bankruptcy Judge in the consideration of the objection. The objection shall suspend the implementation of the decision till the Court decides on the objection, unless the Court orders otherwise.

If the Court rejects the objection, it may order the objecting party to pay a minimum fine of OMR 100 and a maximum fine of OMR 300, if it finds that such objecting party deliberately hindered the implementation of the Insolvency/Bankruptcy Judge's decision.

Article (96): Replacement of Insolvency/Bankruptcy Judges

The Court may replace the Insolvency/Bankruptcy Judge with another Judge of the Court. It may delegate another Judge in the absence or inability of the Insolvency/Bankruptcy Judge to perform his duties or if it is proved that the continuation of his appointment is detrimental to the interests of the creditors.

Section V OBSERVER

Article (97): Appointment of Observer

The Insolvency/Bankruptcy Judge shall appoint one or more Observers from among the creditors who nominate themselves for this purpose. The Insolvent debtor and each creditor may object to the decision of the Insolvency/Bankruptcy Judge in respect of the appointment of the Observer, but the objection shall not result in the suspension of the implementation of the decision. The objection shall be filed with the Insolvency/Bankruptcy Judge and he shall decide on it within seven (7) days from the date on which it is filed.

Article (98): Who May not be an Observer

An Observer may not be the spouse of the Insolvent debtor nor his close relative up to fourth degree.

Article (99): Functions of Observer

The Observer shall, in addition to performing the functions vested in him by Law, examine the balance sheet and the report submitted by the Insolvent debtor, and shall perform the functions assigned to him by the Insolvency/Bankruptcy Judge in respect of monitoring of the activities of the Receiver and assist the Insolvency/Bankruptcy Judge in doing so. The Observer may seek clarifications from the Receiver on the progress of the Insolvency/Bankruptcy procedures, revenue, expenses and the status of cases related thereto.

Article (100): Remuneration and Removal of Observer

The Observer shall not receive any remuneration in lieu of his duty. However, the Court may fix for him an overall remuneration for his work if he exerts extraordinary efforts while the financial condition of the Assets in Insolvency/Bankruptcy so permits.

The Observer may be removed by a decision of the Insolvency/Bankruptcy Judge. The Observer shall be asked only for a major fault committed by him.

Article (101): Investigations and Examinations of Debts

The Receiver shall investigate the Bankruptcy/Insolvency debts with the assistance of the Observer and in the presence of the Insolvent debtor or after asking him to be present.

If the Receiver, the Observer or the Insolvent debtor disputes the validity of a debt, its amount or securities, the Receiver shall notify the creditor immediately. The creditor shall submit written or verbal clarifications within ten (10) days from the date of receipt of notice.

Debts, irrespective of its types, payable to the government on account of duties and taxes shall not be subject to the investigation procedures.

Article (102): Statements of Secured and Unsecured Debts

The Receiver shall deposit with the Secretariat of the Court, after completion of the investigation of debts, a statement including a description of its documents and the reasons for dispute, if any, and his opinion on the acceptance or rejection of such debts. The Receiver shall also deposit a list of names of creditors who claim that they have special securities over the monies of the Insolvent debtor specifying the amount of their debts, the type of their securities and the monies prescribed therefor.

Such deposit shall be made within a maximum of sixty (60) days from the date of publication of the second notice in accordance with the provisions of Article 107 of this Law to invite creditors to submit their debts. The Receiver shall, within five (5) days from the date of deposit, publish a statement on such deposit in a daily newspaper.

Each interested party may access and peruse the schedule of debts and the list deposited with the Secretariat of the Court. The secretariat of the Court shall publish the statement and the list in the first edition of the Official Gazette after passage of the five (5) days referred to in the preceding clause. The Secretariat of the Court shall also send a copy thereof to the Insolvency/Bankruptcy Judge.

Article (103): Challenge on the Schedule of Debts

The Insolvent debtor and each creditor whose name appears in the schedule of debts may dispute the debts included therein within ten (10) days from the date of publication of the schedule in the Official Gazette. The dispute shall be handed over to the Secretariat of the Court. The Secretariat of the Court shall submit it immediately to the Insolvency/Bankruptcy Judge.

Article (104): Preparation of Final List of Undisputed Debts

The Insolvency/Bankruptcy Judge shall, after the passage of the period stipulated in Article (103) of this Law, prepare a final schedule of undisputed debts within a maximum of fourteen (14) days. The Receiver shall mark acceptance and the amount of each debt accepted on the statement with which the documents of such debts are attached. The Insolvency/Bankruptcy Judge may regard the debt as disputed even if it has not been disputed.

The Insolvency/Bankruptcy Judge shall decide on the disputed debts within thirty (30) days from the date on which the dispute deadline expires. The Secretariat of the Court shall notify the interested parties of the date of the session at least seven (7) days before it is convened. Creditors shall be in a state of Association by virtue of law after depositing the final schedule of undisputed debts.

Article (105): Objection to the Final Schedule of Disputed and Undisputed Debts

An objection may be filed with the Court against the decision issued by the Insolvency/Bankruptcy Judge on the acceptance or rejection of debts, within ten (10) days from the date of issuance of the decision. The objection shall not result in the suspension of the Insolvency/Bankruptcy proceedings unless the Court orders such suspension. The Court may, before deciding on the objection, adjudicate the provisional acceptance of the debt for an amount fixed by it. No objection may be filed against the Court's order of final rejection or acceptance of debt. If the objection against the debt relates to its securities, it shall be accepted provisionally as an ordinary debt. A creditor whose debt has not been finally or provisionally accepted shall not participate in the Insolvency/Bankruptcy proceedings.

Article (106): Delivery of Original Documents of Debt and Information on Securities

All creditors, even if their debts are accompanied by special securities or are established by final orders, shall hand over to the Receiver, after the issuance of Bankruptcy/Insolvency Declaration Order, the original documents of their debts, accompanied by a statement on such debts and their securities, if any, and their values in Omani Riyals. The Receiver shall prepare a receipt acknowledging receipt of the statement and debt documents.

The statement shall specify the chosen domicile of the Receiver in the department of the Court. The Receiver shall be responsible for returning the documents to creditors after closure of the Assets in Insolvency/Bankruptcy. The Receiver shall be responsible for them for a period of one (1) year from the date of completion of the Assets in Insolvency/Bankruptcy.

Article (107): Failure to Submit Claims in Response to Publication to Result in Second Publication

If all creditors, whose names are recorded in the balance sheet, fail to submit the original documents of their debts, accompanied by the statement referred to in Article (106) of this Law, within thirty (30) days after publication of the Bankruptcy/Insolvency Declaration Order and the invitation to creditors to submit their debts, the Receiver shall republish the notice immediately in the Official Gazette. The Judge shall specify a different method of publication in addition to publication in the Official Gazette.

Creditors shall submit the original documents of their debts accompanied by the aforementioned statement within thirty (30) days of the second publication in the Official Gazette, failing which their right to enter the Insolvency/Bankruptcy [proceedings] shall cease to exist.

Chapter II

REPERCUSSIONS OF BANKRUPTCY/INSOLVENCY DECLARATION ORDER

Section I

REPERCUSSIONS OF BANKRUPTCY/INSOLVENCY DECLARATION ORDER ON INSOLVENT DEBTOR

Article (108): Loss of Civil Rights

The civil rights of the Insolvent debtor shall cease to exist with the declaration of his bankruptcy. The Insolvent debtor may not serve in a public office or post and shall not be a director or a member of the board of directors of any company, unless rehabilitated in accordance with the Law.

A person whose insolvency has been declared may not represent another person in the management or disposition of the latter's monies. However, the Court may, on a request from the Bankruptcy/Insolvency Judge, adjudicate the replacement of the Insolvent debtor by the Receiver or the Secretary of the Association of Creditors, as the case may be, to make such representation in permanent or provisional capacity. The Court may permit the Insolvent debtor to manage the monies of minors whose monies are required to be managed by such Insolvent debtor, if this does not result into causing harm to them.

Article (109): Suspension of All Future Business Activities

Immediately following the issuance of the Bankruptcy/Insolvency Declaration Order, the Insolvent debtor shall be restricted to manage or dispose of its monies. Transactions [dispositions] carried out by the Insolvent debtor on the date of issuance of the Bankruptcy/Insolvency Declaration Order shall be treated as having been made after its issuance.

If the transaction is one that is not enforceable in respect of a third party without recording, registering or other procedures, it shall not be applicable to the group of creditors unless the date of the transaction has been endorsed before the date of the discontinuation of payment.

The Insolvent debtor who has been restricted to manage or dispose of its monies shall not be prevented from taking the necessary measures to safeguard its rights.

Article (110): Suspension of other Funds and

Restriction on the Insolvent debtor shall include all monies under its possession on the day of the issuance of the Bankruptcy/Insolvency Declaration Order and the monies the ownership of which is transferred to such Insolvent debtor while in a state of Bankruptcy/Insolvency. However, such restriction shall not include the following:

- A. Monies that may not be legally attached and alimony determined for the Insolvent debtor;
- B. Monies owned by any person other than the Insolvent debtor;
- C. Rights relating to the person of the Insolvent debtor or his personal status; and
- D. Compensations payable to the beneficiary in a valid insurance contract concluded by the Insolvent debtor before the issuance of the Bankruptcy/Insolvency Declaration Order. However, the beneficiary shall refund to the Assets in Bankruptcy/Insolvency all the insurance premiums the Insolvent debtor has paid commencing from the payment discontinuation date fixed by the Court, unless the Law provides otherwise.

Article (111)

On the issuance of the Bankruptcy/Insolvency Declaration Order, the Insolvent debtor may not repay the debts outstanding or reclaim its rights.

If the Insolvent debtor holds a commercial instrument, its value may be paid at the time of its maturity, unless the Receiver objects to such payment, in accordance with the provisions contained in the Law of Commerce. Value of the commercial instrument shall be deposited in the Bankruptcy/Insolvency account.

Article (112)

There shall be no setoff after the issuance of the Bankruptcy/Insolvency Declaration Order between the rights and liabilities of the Insolvent debtor, unless there is a link between the two. The link shall particularly exist if the rights and liabilities have arisen from one cause or covered by a current account the Insolvent debtor is a party thereto.

Article (113)

If the Insolvent debtor receives a legacy, his creditors shall be entitled to the legacy's monies only after the creditors of the testator have been paid their entitlements

from such monies. The testator's creditors shall not have any entitlement in the Assets in Bankruptcy/Insolvency.

Article (114)

A case may not be filed by or against the insolvent debtor nor may any proceedings be made in respect thereof after the issuance of the Bankruptcy/Insolvency Declaration Order, with the exception of the following cases:

- A. Cases relating to monies and transactions not covered by the restriction on the Insolvent debtor;
- B. Cases relating to management of the Assets in Bankruptcy/Insolvency which the law allows the Insolvent debtor to file; and
- C. Criminal cases.

The Court may allow the joining of the Insolvent debtor in cases related to Assets in Bankruptcy/Insolvency. It may also permit the joining of the creditor in these cases if he has a personal interest in them. If the Insolvent debtor files a criminal case or a case related to his person or his personal status, or if such a case is filed against him, the Receiver shall be joined in it, if it includes financial claims.

Article (115)

If, after the declaration of its Insolvency/Bankruptcy, the insolvent debtor is ordered to compensate for a damage it has caused to a third party before filing a Bankruptcy/Insolvency Application, the judgement creditor may claim the compensation adjudicated from the Assets in Bankruptcy/Insolvency, unless it is established that the judgment creditor colluded with the Insolvent debtor.

Article (116)

The Insolvency Judge shall, after hearing the testimony of the Receiver, fix alimony for the insolvent debtor and his dependents out of the Assets in Bankruptcy/Insolvency, at the request of the Insolvent debtor or his dependents. The Insolvency Judge may, at any time, at the request of the Receiver, reduce the amount of alimony.

Article (117)

Subject to the provisions of Article (108) of this Law, the insolvent debtor may, after permission of the Insolvency Judge, engage in a new business without the

Assets in Bankruptcy/Insolvency. Creditors whose debts arise out of such business shall have priority in claiming their rights from its monies.

Article (118)

The insolvent debtor may not leave its domicile without notifying the Receiver in writing of the place whereat he shall be available. The insolvent debtor may not change its domicile without permission of the Insolvency Judge.

Article (119)

The Court, on the request of the Insolvency Judge, may issue an order, if required, prohibiting the insolvent debtor from leaving Oman for a period of three (3) months, subject to renewal, if he commits an act that may undermine the rights of creditors.

The insolvent debtor may appeal this order before the Court. The appeal shall not result in the suspension of such order. The Court may, at any time, repeal the order on prohibition from leaving Oman.

Section II

REPERCUSSIONS OF BANKRUPTCY/INSOLVENCY DECLARATION ORDER ON CREDITORS

Article (120)

By the force of law, and immediately upon the issuance of the Bankruptcy/Insolvency Declaration Order, a group of creditors shall be set up from among those whose rights have arisen in respect of the insolvent debtor for a valid cause before the issuance of the Bankruptcy/Insolvency Declaration Order. Such group shall enjoy legal personality and be represented by the Receiver. The group of creditors shall not include creditors whose debts are secured by mortgage or special priority rights, with the exception of the cases in which they are covered by the Assets in Bankruptcy/Solvency in their capacity as ordinary creditors.

Article (121)

Without prejudice to the provisions of Article (115) of this Law, debts adjudicated by virtue of orders issued after the declaration of Bankruptcy/Insolvency may neither be upheld against the group of creditors nor may the following transactions be

upheld against them if they are carried out by the insolvent debtor after the date of discontinuation of payment and before the Bankruptcy/Insolvency Declaration Order has been issued:

- A. Grant of donations irrespective of their nature, with the exception of small customary gifts;
- B. Repayment of debts before maturity, irrespective of the method of payment. The establishment of remuneration for the payment of a commercial instrument that has not matured shall be treated as equivalent to the repayment of debt before its maturity;
- C. Payment of matured debts contrary to the agreement. Payment through commercial instruments or bank transfer shall be treated as equivalent to payment in cash; or
- D. Any decision taken in respect of the monies of the insolvent debtor as guarantee for a debt preceding the declaration of Bankruptcy/Insolvency.

An order may be issued on inadmissibility of any transaction other than the one mentioned above in respect of the group of creditors if it is detrimental to them, and the party with which the transaction has been made was, at the time when the transaction was made, aware of the insolvent debtor's discontinuation of payment. If the value of a commercial instrument is paid after the date of discontinuation of payment and before the order on declaration of bankruptcy has been issued, the payment made to the holder of the commercial instrument may not be recovered. However, the drawer or the person for whose account the commercial instrument has been drawn shall only refund the paid value if, at the time of the creation of the commercial instrument, such drawer or person was aware of the insolvent debtor's discontinuation of payment. Refund liability, in case of an order bill of exchange, shall be borne by the first endorser if, at the time of his obtainment of the order bill of exchange, he was aware of the insolvent debtor's discontinuation of payment.

Article (122)

An order may be issued on inadmissibility of mortgage or priority rights over the monies of the insolvent debtor against the group of creditors, if they have been registered after the date of discontinuation of payment and after the passage of thirty (30) days from the date of determination of the mortgage or the priority right. The creditor, who is holder of mortgage or priority right second-in-line to the mortgage or the priority right the inadmissibility of which has been ordered

against the group of creditors, shall assume the rank of this security. However, the aforementioned creditor shall be given, from the sale proceeds of the sale of the money over which security has been prescribed, only what he would have obtained presuming the previous mortgage or priority right had been admissible and the difference shall inure and be transferred to the group of creditors.

Article (123)

The Receiver may, on his own motion or on a request from the Insolvency Judge, ask for the inadmissibility of the insolvent debtor's transactions in respect of the group of creditors, if the transaction has taken place before the issuance of the order on declaration of Bankruptcy/Insolvency. The order issued on inadmissibility of the transaction shall be applicable to all creditors whether their rights have arisen before or after the transaction has taken place.

Article (124)

If an order is issued on inadmissibility of a transaction in respect of a group of creditors, the person with whom the transaction is made, shall refund to the Assets in Bankruptcy/Insolvency what he has received from the insolvent debtor by virtue of such transaction or the value of the object at the time of receipt. Such person shall also pay the returns or proceeds of what he had received from the date of receipt.

The person with whom the transaction is made shall have the right to recover the consideration he has provided to the insolvent debtor, if he finds such consideration intact in the Assets in Bankruptcy/Insolvency. If it is not found, the person with whom the transaction is made shall have the right to claim from the group of creditors the benefit they have drawn from such transaction and further participate in the Assets in Bankruptcy/Insolvency in his capacity as an ordinary creditor for the excess value of such benefit.

Article (125)

Cases arising from the application of the provisions contained in Articles (120) to (124) of this Law shall lapse on expiry of two (2) years from the date of issuance of the order on the declaration of Bankruptcy/Insolvency.

Article (126)

Ordinary creditors or creditors holding general priority rights may not, after the

issuance of the order on the declaration of Bankruptcy/Insolvency, file individual cases against the Assets in Bankruptcy/Insolvency or take any other judicial actions against it.

The issuance of the order on the declaration of Bankruptcy/Insolvency shall result in the suspension of individual cases filed against the creditors mentioned in the preceding paragraph and the suspension of the execution proceedings initiated by such creditors before the issuance of the order on the declaration of Bankruptcy/Insolvency. However, if a date is fixed for the sale of the insolvent debtor's real estate property, the execution proceedings may continue with the permission of the Insolvency Judge.

Creditors who are mortgagees and holders of special priority rights over the monies of the insolvent debtor may file or continue individual cases against the Receiver. They may also initiate or continue the execution proceedings against monies bearing their securities, provided the Insolvency Judge is notified of the execution. The execution shall be against the Receiver.

Article (127)

With the order on the declaration of Bankruptcy/Insolvency, the maturity of all the cash debts payable by the insolvent debtor shall lapse, whether such debts are ordinary or secured by a general or special priority right.

Article (128)

The Insolvency Judge may deduct from the deferred debt, that has no conditions for returns, an amount equivalent to the return payable for the period of time from the date of the order on the declaration of Bankruptcy/Insolvency till the date of the maturity of debt.

Article (129)

The order on the declaration of Bankruptcy/Insolvency shall suspend the validity of returns on ordinary debts only in respect of the group of creditors. No claims may be made for returns on debts secured by a mortgage or priority right except from the sale proceeds out of the monies guaranteeing such debts. The principal debt shall be deducted first, followed by the returns payable before the issuance of the order on the declaration of Bankruptcy/Insolvency, and then followed by the returns payable after issuance of the aforesaid order.

Article (130)

Debts which are subject to a termination clause shall participate in and be covered by the Assets in Bankruptcy/Insolvency, provided that a guarantor shall be provided. As regards debts which are subject to a precedent condition, the dividends for such debts shall be set aside during distributions till the outcome of the condition is confirmed.

Article (131)

If a group of debtors liable for one debt find that one of them has been declared Bankrupt/Insolvent, such Bankruptcy/Insolvency shall have no effect in respect of the other debtors, unless provided otherwise. If Composition is made with the debtor who has been declared Bankrupt/Insolvent, the Composition conditions shall not apply to the other debtors.

Article (132)

If a creditor has received a part of the debt from one of the debtors liable for a single debt and then the remaining or any of such debtors become Bankrupt/Insolvent, the creditor may participate in and be covered by Assets in Insolvency/Bankruptcy only with his remaining debt. Such creditor shall reserve his right to claim the remaining debt from the debtor(s) other than the insolvent debtor(s). Such debtor may participate in [and be covered by] each and every (Assets in Bankruptcy/Insolvency) against payment he has made in respect thereof.

Article (133)

If debtors for one debt, all at once, become Bankrupt/Insolvent, the creditor shall participate in and be covered by each and every (Assets in Bankruptcy/Insolvency) with all his debt till he recovers it in full, including the principal amount, returns and expenses. An (Assets in Bankruptcy/Insolvency) may not have recourse against other (Assets in Bankruptcy/Insolvency) for what it has paid for.

If the total amount received by the creditor exceeds his debt and its consequences, the excess amount shall be returned to the (Assets in Bankruptcy/Insolvency) of the person who is guaranteed by others in accordance with the sequence of their liabilities for the debt. If such sequence is not found, the excess amount shall be returned to every (Assets in Bankruptcy/Insolvency) that paid more than their share in the debt.

Article (134)

Names of creditors of the insolvent debtor, possessing mortgage or special priority right over a movable money or a real estate property, shall only be listed in the group of creditors as a matter of reference.

The Receiver, on the permission of the Insolvency Judge, may pay a debt secured by mortgage and recover the mortgage articles for the account of the group of creditors.

Article (135)

The Receiver, on the permission of the Insolvency Judge, shall pay during the ten (10) days following the issuance of the order on declaration of Bankruptcy/Insolvency, out of the available cash of the Assets of Bankruptcy/Insolvency, the wages, salaries and amounts payable - before the issuance of the order on declaration of Bankruptcy/Insolvency- for a period of thirty (30) days to employees of the insolvent debtor, notwithstanding the presence of any other debt. If the Receiver does not have the necessary cash to pay these debts, these shall be paid from the first cash amounts made available under the Assets in Bankruptcy/Insolvency, even if there are other debts preceding them in the order of priority rights.

Article (136)

Without prejudice to Article (140) of this Law, a lessor, in case of termination of the lease agreement for the real estate property in which the insolvent debtor conducts the business, shall have a priority right to guarantee the rent payable to him for the year preceding the issuance of the order on declaration of Bankruptcy/Insolvency and for the current year. If the movables available in the rented property are sold or transferred, the lessor shall continue to retain his priority right, whether or not the lease contract has a fixed date.

Article (137)

A priority right prescribed for the government for debts arising on account of taxes – of whatever type- shall not be applied, with the exception of tax debt payable by the insolvent debtor for the two years preceding the issuance of the order on declaration of Bankruptcy/Insolvency, while other due taxes shall be included in the distributions as ordinary debts.

Article (138)

The Insolvency Judge, on the proposal of the Receiver, may order - if necessary - the use of the first cash amounts made available under the Assets in Bankruptcy/Insolvency to pay creditors who have a priority right over the movables of the insolvent debtor, provided their names shall have been included in the final Schedule of undisputed debts referred to in the first paragraph of Article (104) of this Law. If a dispute arises on the priority right, the payment may only be made after such dispute has been adjudicated by a final order.

Section III

EFFECTS OF BANKRUPTCY DECLARATION ORDER ON THIRD PARTIES

Article (139)

The order on the declaration of Bankruptcy shall not result in the abrogation of contracts binding upon the two parties to which the insolvent debtor is a party, unless they are established on personal considerations.

If the Receiver fails to implement or discontinues implementing the contract, the other party may request abrogation. Any decision taken by the Receiver concerning the contract shall be presented to the Insolvency/Bankruptcy Judge to allow the same. The other party may grant a suitable grace period to the Receiver to explain his stand on the contract. The contracting party may participate in and be covered the Assets in Bankruptcy/Insolvency as an ordinary creditor for compensation resulting from abrogation, unless it provides that compensation shall maintain the legally prescribed priority right.

Article (140)

If the insolvent debtor is the tenant of the real estate property wherein he conducts the business, the issuance of the order on declaration of Bankruptcy/Insolvency shall not result in the termination of the lease contract or in the maturity of rent for the remaining period of its expiry. Any condition to the contrary shall be treated as null and void.

If the lessor has commenced the legal execution in respect of the movables available in the real estate property and the execution has not been done upon the issuance of the order on the declaration of Bankruptcy/Insolvency, the execution shall be done within ninety (90) days from the date of such order,

without prejudice to the lessor's right to take Prejudgment measures and to ask for the evacuation of the real estate property in accordance with the general rules.

The Insolvency/Bankruptcy Judge may order the suspension of execution for a period of thirty (30) days, subject to renewal for one time, if he deems this necessary. The Receiver shall notify the lessor of the real estate property, during the period of suspension of execution of his willingness to terminate or continue with the lease contract.

Article (141)

If the Receiver decides to continue with the lease contract for the real estate property rented by the insolvent debtor, he shall pay the outstanding rent and give a sufficient guarantee for the payment of the future rent.

Within fifteen (15) days from the date on which the lessor is notified of the Receiver's willingness to continue with the lease contract, the lessor may request the Insolvency/Bankruptcy Judge to terminate the lease contract if the guarantee is insufficient.

The Receiver may, after obtaining the permission of the Insolvency/Bankruptcy Judge and after the approval of the lessor, sublet the real estate property or assign the lease, in accordance with the provisions governing the relationship between the landlord and the tenant.

Article (142)

If the employment contract is concluded by the insolvent debtor in his capacity as an unlimited employer, the employee and the Receiver may terminate the contract subject to the provisions contained in the Labour Law. The employee may, in this situation, not claim compensation unless the termination is arbitrary or is made with no regard as to the notice date.

If the employment contract is limited, it may not be terminated, unless it is decided not to continue with the business. The employee may in this case seek compensation and the compensation payable to the employee under this Article shall carry the privilege legally prescribed.

Chapter III

RECOVERY & MANAGEMENT OF ASSETS IN BANKRUPTCY/INSOLVENCY

Section I

RIGHT TO RECOVERY

Article (143)

Every person may recover from the Assets in Bankruptcy/Insolvency items proved to be owned by him or those he is entitled to recover at the time of the declaration of Bankruptcy/Insolvency.

The Receiver may, after obtaining the permission of the Insolvency/Bankruptcy Judge, return the item to its owner or to the person entitled to its recovery. If a request for recovery is rejected, the person making the request may refer the dispute to the Court.

Article (144)

Items in the possession of the insolvent debtor as a deposit, or for the purpose of selling the same for the account of their owner, or for delivery of the same to their owner may be recovered provided they are found in kind in the Assets in Bankruptcy/Insolvency.

Recovery of the cost of goods may also be made if it has not been paid in cash, through a commercial instrument or through its entry in a current account between the insolvent debtor and the purchaser. The recoverer shall pay to the Receiver the dues payable to the insolvent debtor.

If the insolvent debtor has deposited the goods with a third party, they may be recovered from such third party. If the insolvent debtor borrows by mortgaging the goods and the mortgagee who is the creditor did not know at the time of the creation of mortgage that the insolvent debtor does not own such goods, they may be recovered only after repayment of the debt secured by mortgage.

Article (145)

Commercial instruments and other valuable papers handed over to the insolvent debtor for collection or for allocation for a specific payment may be recovered, if found in kind in the Assets in Bankruptcy/Insolvency and if their value has not been paid. Banknotes deposited with the insolvent debtor may not be recovered unless the applicant for recovery proves that they have been allocated to pay its right.

Article (146)

If the sale contract is abrogated by a judgment or by virtue of a condition in the contract before the issuance of the order on declaration of Bankruptcy/Insolvency of the purchaser, the seller may recover the goods in full or in part from the Assets in Bankruptcy/Insolvency provided they are available in kind. Recovery may be made even if the abrogation has taken place after the issuance of the order on declaration of Bankruptcy/Insolvency provided the recovery claim or the abrogation claim has been filed before the issuance of such order.

Article (147)

If the purchaser becomes Bankrupt/Insolvent before payment has been made and the goods are still with the seller, he may confiscate them. If the purchaser becomes Bankrupt/Insolvent after dispatching the goods to the purchaser and before entry in the stores of the purchaser or its agent assigned of their sale, the seller may reacquire them. However, the reacquisition shall not be permissible, if the goods have lost their features after they have been handed over to the insolvent debtor or if the insolvent debtor has disposed them off before their arrival without fraud by virtue of ownership or transfer documents.

In all cases, the Receiver may, after the approval of the Insolvency/Bankruptcy Judge, request the delivery of the goods provided he pays the agreed price to the seller. If the Receiver does not ask for this, the seller may uphold his right to abrogation, seek compensation and participation in and coverage by the Assets in Bankruptcy/Insolvency.

Article (148)

If the purchaser becomes Bankrupt/Insolvent before payment has been made and after the goods have entered its stores or the stores of its agent assigned with their sale, the seller may not request abrogation of the sale or recovery of goods and his priority right shall also cease to exist. Any condition that might enable the seller to recover the goods or retain its priority rights on them, shall not be enforceable in respect of the group of creditors.

Article (149)

Each spouse may recover from the Assets in Bankruptcy/Insolvency of the other, his/her respective movable monies and real estate properties if he or she proved their ownership thereto. Such monies and properties shall continue to bear the rights acquired by a third party in a legitimate manner.

Article (150)

Monies purchased by the spouse of the insolvent debtor, or purchased for the account of such spouse or for the account of minors under the guardianship of the insolvent debtor shall, from the date of his engagement in trade, be treated as if purchased with the money of the insolvent debtor and shall be included in the Assets in Bankruptcy/Insolvency, unless proved otherwise. Debts of a Bankrupt spouse paid by either spouse shall be treated as having been paid with the money of the spouse who is the insolvent debtor, unless proved otherwise.

Article (151)

Recovery claims made to the Receiver shall lapse with the passage of one (1) year from the date of publication of the order on the declaration of Bankruptcy/Insolvency.

Section II**SEALING & INVENTORYING OF INSOLVENT DEBTOR'S MONIES****Article (152)**

The Court shall, in its order on declaration of Bankruptcy/Insolvency, order the sealing of the shops, offices, stores, books, papers and movables of the insolvent debtor. The Insolvency/Bankruptcy Judge shall carry out the sealing immediately upon the issuance of the order on declaration of Bankruptcy/Insolvency, and may appoint a secretary of the Court to do so. If the Insolvency/Bankruptcy Judge sees the possibility of inventorying the funds and properties of the insolvent debtor in one day, he, or the person appointed by him, may commence the inventorying immediately without the need for sealing. Minutes of sealing or inventorying shall be prepared and signed by the person who has carried out such procedure and the minutes shall be submitted to the Insolvency/Bankruptcy Judge.

Article (153)

Garments and necessary movables of the insolvent debtor and his dependents may not be sealed. The Insolvency/Bankruptcy Judge shall specify these items as they shall be handed over to the insolvent debtor under a list signed by both the Insolvency/Bankruptcy Judge and the insolvent debtor.

The Insolvency/Bankruptcy Judge may, on his own motion or on a request from

the Receiver, order non-sealing or unsealing of the following items:

- A. Commercial books;
- B. Commercial instruments and other instruments payable on a near approaching date or those requiring actions for safeguarding the rights established therein;
- C. Cash required for spending on urgent affairs of [the management of] the Assets in Bankruptcy/Insolvency;
- D. Items which are easily perishable, suddenly decrease in value, or whose maintenance requires exorbitant expenses; and
- E. Items necessary for the operation of the shop if it is decided to continue the operation.

Items mentioned in the preceding paragraph shall be inventoried in the presence of the Insolvency/Bankruptcy Judge or the person appointed by him for this purpose. A list of such inventoried items shall be handed over to the Receiver to be signed by him.

Article (154)

The Insolvency/Bankruptcy Judge shall, on a request from the Receiver, order the unsealing for the commencement of the inventory of the monies of the insolvent debtor. The unsealing and inventorying shall commence within five (5) days from the date of the issuance of the order on declaration of Bankruptcy/Insolvency. The inventorying shall be done in the presence of the Insolvency/Bankruptcy Judge or a person appointed by him for this purpose, the Receiver and a Court secretary. The insolvent debtor shall be notified of and may attend the inventorying [process]. The inventory list shall be prepared in duplicate and signed by the Insolvency/Bankruptcy Judge or a person appointed by him, the Receiver and the secretary of the Court attending the inventorying process. One copy shall be deposited with the Secretariat of the Court and the other shall remain with the Receiver. The inventory list shall provide for the monies that have not been sealed or unsealed. Assistance may be sought from an expert on the Roster or outside, if required, in conducting the inventory and evaluating the monies.

Article (155)

If insolvency is declared after the death of the merchant debtor, and an inventory list has not been prepared on the occasion of death, or if the merchant debtor dies after the declaration of his bankruptcy and before the preparation of the inventory list or before its completion, the inventory list shall be prepared

immediately or its preparation shall be continued in the manner specified in Article (154) of this Law. The heirs shall be notified of inventorying process and they may attend such process. In case of the insolvent debtor's death after the declaration of his bankruptcy and the completion of the inventory, his heirs or their designee shall replace him at the insolvency proceedings, failing which the Insolvency/Bankruptcy Judge shall appoint a person to represent them in this matter.

Article (156)

The Receiver shall, after inventorying, receive the monies of the insolvent debtor, his books and papers and sign receipt thereof at the end of the inventory list. If the insolvent debtor has not submitted the balance sheet, the Receiver shall prepare it immediately and deposit it with the Secretariat of the Court.

The Receiver shall receive letters sent to the insolvent debtor which relate to the insolvent debtor's business. The Receiver may open and maintain such letters. The insolvent debtor may access and peruse such letters.

Article (157)

Commercial books may be handed over to the Receiver only after the Insolvency/Bankruptcy Judge has closed them. The insolvent debtor shall be summoned to appear at the session of the closure of commercial books. The insolvent debtor may appoint another person to attend the session. If he or his representative fails to appear, the commercial books shall be closed *in absentia*. The insolvent debtor may appoint a person to appear at the session of the closure of commercial books only for reasons acceptable to the Insolvency/Bankruptcy Judge.

Section III

MANAGEMENT OF INSOLVENCY/BANKRUPTCY ASSETS

Article (158)

The Receiver shall perform all the functions necessary to safeguard the rights of the insolvent debtor owed by third parties and claim and recover these rights. The Receiver shall register the insolvent debtor's corporeal rights in respect of any indebted real estate property, if the insolvent debtor has not carried out such registration.

The Insolvency/Bankruptcy Judge may, after obtaining the opinion of the Observer and hearing the testimony of the insolvent debtor or notifying him, permit the Receiver to make the Composition or accept arbitration in each dispute relating to Assets in Bankruptcy/Insolvency.

If the value of the dispute is not specified or if its value exceeds OMR 5,000, the Composition or the acceptance of arbitration shall be effective only after their conditions have been ratified by the Insolvency/Bankruptcy Judge. The insolvent debtor shall be summoned to appear at the time of ratification and the Insolvency/Bankruptcy Judge shall hear his statements if he appears. His objections shall have no effect. An appeal may be made before the Court against the decision issued by the Insolvency/Bankruptcy Judge if it rejects the ratification of the conditions of Composition or arbitration.

The Receiver may not waive the insolvency debtor's right or confirm a third party's right against the insolvent debtor in respect of the proceedings provided for in this Article unless made in accordance with its provisions.

Article (159)

The Insolvency/Bankruptcy Judge shall, on a request from the Receiver or from the insolvent debtor, and after obtaining the opinion of the Observer, permit the continuation of the shop operations if interest of the public, the merchant debtor, or creditors so requires and after seeking a Restructuring Plan for the of the business of the merchant debtor in the manner provided for in this Law. The Insolvency/Bankruptcy Judge shall, on a request from the Receiver, appoint a person to manage the shop in line with the Restructuring Plan and shall determine his remuneration. The insolvent debtor may be appointed for the management and the remuneration received by him shall be treated as part of the maintenance [disbursement] fixed for him. The Receiver shall supervise the person appointed for management and shall submit a monthly report to the Insolvency/Bankruptcy Judge on the condition of the business.

The insolvent debtor, the Receiver and any of the creditors may appeal before the Court against decisions of the Insolvency/Bankruptcy Judge in accordance with the preceding paragraph.

Article (160)

The Receiver shall submit to the Insolvency/Bankruptcy Judge, within thirty

(30) days from the date of being notified of the appointment, a report on the causes for Insolvency/Bankruptcy, the apparent state and conditions of the Assets in Bankruptcy/Insolvency. The Insolvency/Bankruptcy Judge may extend the deadline for the submission of this report for a similar period of time. The Insolvency/Bankruptcy Judge shall refer the report together with his observations to the Public Prosecution, if a criminal suspicion is established by the conditions and circumstances of the Insolvency/Bankruptcy.

The Receiver shall submit to the Insolvency/Bankruptcy Judge reports on the condition of the Assets in Bankruptcy/Insolvency on periodical dates determined by the Insolvency/Bankruptcy Judge.

Section IV

CLOSURE & COMPLETION OF THE [MANAGEMENT] OF THE ASSETS IN BANKRUPTCY/INSOLVENCY

Article (161)

If the insolvency works discontinue due to insufficiency of monies needed for its management and handling of its operations, the Insolvency/Bankruptcy Judge may, on his own motion or on a report from the Receiver or the Secretary of the Association of Creditors, as the case may be, order its closure by a reasoned decision.

The insolvent debtor, each interested party, and/or the Receiver may request the Insolvency/Bankruptcy Judge to cancel the closure decision within three (3) months from the date of its issuance, if they proved that there are sufficient monies to meet the expenses of continuing and completing the insolvency works or if they deposited a sufficient amount of money as determined by the Insolvency/Bankruptcy Judge. If the timeline provided for in the preceding paragraph expires without anyone requesting the Insolvency/Bankruptcy Judge to cancel the closure decision, the decision shall be treated as final.

Article (162)

An appeal may be made against the decision rejecting the cancellation of the closure of insolvency [works] within ten (10) days from the date of its issuance, provided such appeal shall not result in the suspension of the enforcement of the decision or discontinuation of the timeline stipulated in Article (161) of this Law.

Article (163)

A final decision on the closure of insolvency [works] due to insufficiency of its monies shall entitle each creditor to pursue proceedings and initiate individual claims against the insolvent debtor.

If the debt has been made final in relation to the Assets in Bankruptcy/Insolvency, the creditor may initiate enforcement proceedings on the monies of the insolvent debtor pursuant to an order from the Insolvency/Bankruptcy Judge to the extent of the creditor's debt. The Insolvency/Bankruptcy Judge's order in relation to the enforcement shall be deemed final. Receipt of such order by the creditor shall be endorsed on the debt instrument.

In all cases, expenses incurred in relation to the insolvency works shall be paid on a priority basis.

Article (164)

The Insolvency/Bankruptcy Judge shall issue a decision on the completion of insolvency works in the following cases:

- A. If the debts are verified and have resulted in no acceptable debts in relation to the Assets in Bankruptcy/Insolvency; if the debts are limited to criminal fines, taxes and/or duties of various kinds or social insurance contributions; if there is only one creditor; or if the debts are joined in favour of one creditor;
- B. If all the accepted debts in relation to the Assets in Bankruptcy/Insolvency have been paid;
- C. If Composition has been made with the insolvent debtor;
- D. If the insolvent debtor has no valid money for legal enforcement; or
- E. If all the monies of the insolvent debtor have been liquidated and the Assets in Bankruptcy/Insolvency's final account has been ratified.

Article (165)

The Insolvency/Bankruptcy Judge may order the termination of insolvency works only after accessing and perusing a report from the Receiver or the Secretary of the Association of Creditors, as the case may be, stating that one of the conditions stipulated in Article (164) of this Law has been confirmed.

The insolvency works shall cease immediately upon issuance of the Insolvency/

Bankruptcy Judge's decision on its termination and the insolvent debtor shall recover all its rights.

Chapter IV

JUDICIAL COMPOSITION

Article (166)

The Bankruptcy/Insolvency Judge may, on a request from an interested party, at any stage of the proceedings, exercise mediation to conclude a Judicial Composition and may, in doing so, instruct the Secretariat of the Court to invite the creditors, whose debts have been accepted finally or provisionally, to attend deliberations on the Composition application.

The Receiver or the Secretary of the Association of Creditors, as the case may be, shall submit a report to the group of creditors specifying the status of the Assets in Bankruptcy/Insolvency and the steps taken in relation thereto and his observations on the insolvent debtor's proposals on the Composition.

Creditors holding securities in kind prescribed over the monies of the insolvent debtor may not participate in voting on judicial composition with their debts secured by the aforementioned securities, unless they waive such securities in advance.

Article (167)

Judicial composition shall be made only with the approval of the majority of creditors whose debts have been accepted finally or provisionally, provided they possess two-thirds of such debts. While calculating the above two majorities, debts of the creditors who did not participate in voting shall be deducted. If neither of the two aforementioned quorum is available, deliberations shall be deferred for a period of ten (10) days after which there shall be no grace period.

Creditors who attended the first meeting or were validly represented therein and signed the meeting minutes may not attend the second meeting and their decisions taken at the first meeting shall remain intact, unless they attend [such meeting] and modify their decisions or if the merchant debtor modifies his proposals on the Composition during the period of time between the two meetings.

Article (168)

The judicial composition minutes shall be signed by the insolvent debtor and creditors at the session in which voting on the composition takes place. The Judge shall ratify it and a summary of the composition shall be published through the means of publication determined by the Court.

Article (169)

Judicial composition may not be made with an insolvent debtor who has been served with a punishment for bankruptcy/Insolvency through fraud. If investigation has been initiated with the insolvent debtor in the offence of Bankruptcy/Insolvency through fraud, entertaining the Composition shall be deferred.

Article (170)

An order serving a punishment against the insolvent debtor on the account of Bankruptcy/Insolvency through default shall not prevent conclusion of judicial composition with him. If investigation with the insolvent debtor in relation to such offence has been initiated, creditors shall have the option to choose between continuing with or deferring the composition deliberations.

Article (171)

All effects of Bankruptcy/Insolvency shall cease to exist with the issuance of the order on the ratification of the judicial composition, including any maintenance prescribed on the Insolvency/Bankruptcy monies. The Receiver shall submit to the insolvent debtor a final account and the account shall be discussed in the presence of the Insolvency/Bankruptcy Judge.

The Receiver's mission shall end and the insolvent debtor shall receive its monies, books, and papers from the Receiver against a receipt to that effect. The Receiver shall not be responsible for such monies, books, and papers if the insolvent debtor fails to receive them within one (1) year from the date of the endorsement of the final account. The Insolvency/Bankruptcy Judge shall prepare minutes for all the aforesaid acts.

Article (172)

If following its ratification an order is issued convicting the insolvent debtor of

Bankruptcy/Insolvency through fraud, the judicial composition shall be invalid. The composition shall also be invalid if after its ratification fraud - resulting from the concealment of the assets of the insolvent debtor or exaggeration of his debts – is discovered. The composition nullification application shall be filed within six (6) months from the date on which fraud has been discovered, failing which the application shall not be accepted. In all cases, the composition nullification application shall not be accepted if it is filed after the passage of two (2) years from the date on which composition was ratified.

The invalidation of composition shall relieve the guarantor who has guaranteed the implementation of the composition conditions. The Court issuing the order on the declaration of bankruptcy/insolvency shall be competent to consider the case for the judicial composition nullification.

Article (173)

If an investigation with the insolvent debtor has been initiated in relation to an offence of bankruptcy/insolvency through fraud, after ratification of the judicial composition, or if a criminal case is filed in relation to such offence after ratification of the composition, the Court that has issued the order on declaration of bankruptcy/insolvency may, on a request from the Observer or each interested party, order Prejudgment measures it deems fit to be taken in respect of the monies of the insolvent debtor. Such measures shall be cancelled by Law if it is decided to close the investigation, if a decision is issued to the effect that there is no reason for filing the case or if an order is issued acquitting the insolvent debtor.

Article (174)

If the insolvent debtor fails to perform the conditions of the judicial composition, the judicial composition abrogation may be requested from the Court that has issued the order declaring bankruptcy/insolvency.

The abrogation of the composition shall not relieve the guarantor who guarantees the performance of its conditions. Such guarantor shall be instructed to attend the session at which the petition for the abrogation of the composition is considered.

The Receiver shall, within seven (7) days from the date of the issuance of the order on the invalidation or abrogation of composition, publish a summary of such order in a daily newspaper and in the Official Gazette, after the passage of such deadline. The Receiver shall, in the presence of the Insolvency/Bankruptcy

Judge or the person designated by him for this purpose, draw an inventory of the monies of the insolvent debtor and prepare a list thereof.

Article (175)

The Court shall appoint, in the order issued on the invalidation or abrogation of the judicial composition, a Receiver in accordance with the provisions of this Law. It may order the sealing of the monies of the insolvent debtor.

Article (176)

The Receiver shall invite the new creditors, if any, to submit their debt documents in accordance with the procedures set out for the verification of debts. The new debts shall be verified without delay and without re-verifying the debts already accepted, provided the debts paid in full shall be excluded and the remaining debts shall be reduced to the extent they have been paid.

Article (177)

The dispositions carried out by the insolvent debtor, after the ratification of the judicial composition and before its invalidation or abrogation shall be enforceable in respect of the creditors and they may petition for their inadmissibility only by virtue of a disposition inadmissibility claim in accordance with the provisions of the Law of Civil Transactions.

The claim referenced in the preceding paragraph shall lapse after one (1) year from the composition nullification or abrogation date.

Article (178)

After the invalidation or abrogation of the judicial composition, debts of the creditors shall be returned to them in full in respect of the insolvent debtor only. These creditors shall participate in the group of creditors with their original debts in full, if they have not received anything from the amount prescribed for them in the composition, otherwise their original debts shall be reduced in proportion to the aforementioned amount received by them.

Such provisions shall apply in case the insolvent debtor has been declared bankrupt/insolvent prior to completing the performance of the Composition conditions.

Chapter V

COMPOSITION WITH ABANDONMENT OF MONIES

Article (179)

A composition may be arranged between the insolvent debtor and the creditors provided that the insolvent debtor abandons its monies in full or in part through sale and the distribution of the proceeds thereof to creditors. Such composition shall be subject to the provisions of judicial composition and the insolvent debtor shall continue to be barred from the disposition and management of the monies it has abandoned.

Article (180)

Monies abandoned by the insolvent debtor shall be sold and their proceeds shall be distributed in accordance with the rules prescribed for the sale and distribution of the monies of the insolvent debtor in case of Association of Creditors. If the proceeds of sale of monies abandoned by the insolvent debtor exceed the debts required of him, the excess amount shall be refunded to the insolvent debtor.

Chapter VI

ASSOCIATION OF CREDITORS

Article (181)

The creditors shall be considered to be in a state of association by Law, in the following cases:

- A. If the merchant debtor does not apply for Composition;
- B. If the merchant debtor applies for Composition and it is rejected by the creditors; or
- C. If the merchant debtor obtains the Composition and then it is invalidated or abrogated.

Article (182)

The Insolvency/Bankruptcy Judge shall invite the creditors, following the creation of the Association of Creditors, to deliberate on the affairs of [management of the Assets in] Bankruptcy/Insolvency and consider the retention or replacement of

the Receiver, who shall be called – at this stage - the Secretary of the Association of Creditors. Creditors holding securities in kind prescribed over the monies of the insolvent debtor shall participate in these deliberations and cast their votes. However, this shall not result in the lapse of their securities. If a majority of the creditors present decides to change the Receiver, the Insolvency/Bankruptcy Judge shall appoint a replacement immediately.

The previous Receiver shall submit to the Secretary of the Association of Creditors, on the date determined by and in the presence of the Insolvency/Bankruptcy Judge, an account of his management and shall notify the debtor of the date of submission of such account.

The Court may, on the basis of a request from the Insolvency/Bankruptcy Judge, change the Secretary of the Association of Creditors, if he fails to discharge his duties.

Article (183)

The Secretary of the Association of Creditors may continue the business of the insolvent debtor only with the permission of the Insolvency/Bankruptcy Judge and after receiving authorization from a three-fourths majority of creditors in number and in amount. The Insolvency/Bankruptcy Judge may use a plan to restructure the business of the merchant debtor provided for in Chapter I of Part I of this Law.

If liabilities exceeding the funds of the Association of Creditors arise from the implementation of the Restructuring Plan, the creditors who have approved the continuation of the business shall be treated as liable in their private funds, without partnership between them for the increase, provided that such liabilities shall have resulted from businesses falling within the scope of authorization issued by them. The liability of each creditor shall be in proportion to its debt.

Article (184)

The Secretary of the Association of Creditors shall deposit the proceeds of the sale of the monies of the insolvent debtor in the Treasury of the Court or in a bank determined by the Insolvency/Bankruptcy Judge on the following day of the collection date. The Secretary of the Association of Creditors shall submit to the Insolvency/Bankruptcy Judge a monthly statement on the status of the Assets in Bankruptcy/Insolvency and the amounts deposited. The deposited amounts may

be withdrawn only by the order of the Insolvency/Bankruptcy Judge or through a cheque signed by the Judge and the Secretary of the Association of Creditors.

Article (185)

Fees, expenses for the management of the Assets in Bankruptcy/Insolvency and maintenance [financial support] awarded to the insolvent debtor and his dependents and the amounts payable to creditors granted priority rights shall be deducted from the proceeds of the sale of the monies of the insolvent debtor. The remaining amount shall be distributed between the creditors in proportion to their verified debts. The share of the disputed debts shall be set aside and withheld pending the issuance of a final order on their acceptance.

Article (186)

After expiry of the Association of Creditors, each creditor shall have the right to request enforcement on the insolvent debtor in order to receive his remaining debt, on an order from the Insolvency/Bankruptcy Judge of such remaining debt. Acceptance of debt in respect of the Assets in Bankruptcy/Insolvency shall be treated as a final order in relation to such enforcement, provided that the receipt of the order by the creditor shall be endorsed on the debt instrument.

Chapter VII

INSOLVENCY OF COMPANIES & LOW-VALUE ASSETS IN INSOLVENCIES

Article (187)

Insolvency of companies shall be subject to the provisions contained in this Law, and in particular, the Articles provided for in this Chapter.

Article (188)

With the exception of joint ventures, an order may be issued declaring the Insolvency of a commercial company if its financial business is in distress and it has discontinued the payment of its debts. A company may be declared Insolvent, even if it is in a state of liquidation. After completion of liquidation, each creditor who has not recovered its debt may apply for declaration of Insolvency of the company within the two (2) years following its removal from the register.

A de facto corporation may be declared Insolvent.

Article (189)

The company's manager or liquidator may apply for the company's Insolvency Declaration only after obtaining the approval of a majority of the partners in General and Limited Partnerships, the approval of the extraordinary general meeting of Joint Stock Companies, the Shareholders' Meeting of Limited Liability Companies and the owner of One Person Company.

The application for the declaration of insolvency of general or limited partnerships shall include the names of the current general partners and those who have exited the company after its discontinuation of payment and shall specify the domicile and nationality of each general partner and the date of exiting the company.

Article (190)

The manager of the company or any of its creditors may apply for the Insolvency of the company even if he/it is a partner of the company. Partners who are not creditors may not apply for the company's Insolvency in their individual capacity. If a creditor applies for the company's Insolvency, all general partners shall be sued.

Article (191)

The Court, on its own motion or on the company's request, may defer consideration of the declaration of the company's Insolvency for a period of time not exceeding three (3) months, if it is likely that its financial condition will be supported or if the public good so warrants. The Court may order that prejudgment measures to be taken in respect of the company's assets, as the court deems appropriate.

Article (192)

If a company is declared Insolvent, all general partners thereof shall be declared Bankrupt. The declaration of Bankruptcy shall include the general partner who exited the company after its discontinuation of payment, if the company's insolvency declaration is requested before the passage of one (1) year from the date on which the partner's exit has been endorsed in the Register.

The Court shall, through one order, adjudicate the declaration of the Insolvency of the company and Bankruptcy of the general partners, even if it is not competent to declare the Bankruptcy of such partners.

The Court shall appoint one Judge and one or more Receivers to process the insolvency of the company and the insolvencies of general partners. However each insolvency process shall be independent from the other in respect of the assets, liabilities, management, and verification of debts, and the method of its completion.

The company's insolvency assets shall comprise of its assets including the stocks [interests] of its partners. The company's insolvency liabilities shall only include the rights of its creditors. The Assets in Bankruptcy of a general partner shall comprise of his personal funds and his Bankruptcy liabilities shall include the rights of its creditors and the creditors of the company.

Article (193)

The Court, on its own motion or on the request of the Insolvency/Bankruptcy Judge, may adjudicate the lapse of rights stipulated in Article (108) of this Law in relation to the company's directors or managers who have committed serious mistakes leading to the distress of the company's business and its discontinuation of payment.

If the company's Insolvency is applied for, the Court may adjudicate the declaration of Bankruptcy of every person who, under the umbrella of the company, carried out commercial business for his personal account and disposed of the company's monies as if they were his personal monies, without prejudice to any penalty provided for in any other law. If it is found that the company's assets are not sufficient to pay at least 20% of its debts, the Court, on a request from the Receiver or the Insolvency/Bankruptcy Judge, may oblige the directors or managers, all or some of them with joint or several liability, to pay all or some of the debts of the company, unless they establish that they exerted the necessary prudence and due diligence in managing the affairs of the company.

Article (194)

The legal representative of the company declared insolvent shall represent it in every matter requiring – by law - the opinion or presence of the insolvent debtor. The legal representative shall appear before the Insolvency/Bankruptcy Judge or Receiver whenever required and shall provide information or clarifications as requested.

Article (195)

The Receiver may, after seeking the permission of the Insolvency/Bankruptcy Judge, request the partners or shareholders to pay their remaining stocks [interests] or the remaining value of their shares in the capital, even if they are not matured. The Insolvency/Bankruptcy Judge may order the curtailment of such request to the extent necessary to pay the debts of the company.

Article (196)

Loan bonds issued by the company shall not be subject to the debt verification process. Such bonds shall be accepted at their nominal value after deduction of any repayment made by the company.

Article (197)

The insolvency of a company may not end with Composition if it is in a state of liquidation. If a company that is not in a state of liquidation applies for Composition, its proposals shall be formulated with the approval of the majority of partners in general and limited partnerships, the approval of an extraordinary general meeting of joint stock companies, the shareholders' meeting of limited liability companies and the owner of a one person company. The legal representative of the company shall submit the Composition proposals in the presence of the group of creditors.

Article (198)

If the insolvency of the company ends with the Association of Creditors and Composition is made with one or more general partners, the monies of the company may not be allocated to satisfy or guarantee the implementation of the conditions of such Composition. The partner who has concluded the Composition shall be relieved of joint liability.

If Composition is made with the company and the Bankruptcies of the general partners resulted in association thereof, the company shall continue to be in existence unless the subject matter of Composition is the abandonment of all its monies.

If the insolvency of the company and the bankruptcies of the partners end with Composition, each Composition shall be treated as independent from the other and its conditions shall only apply to the creditors of the relevant insolvency.

Article (199)

The company shall not be dissolved if its insolvency resulted in the Association of Creditors. However, the company may be dissolved if it is found that its remaining assets after the liquidation are not sufficient to the company to be a going concern.

Article (200)

If a period of six (6) months from the date of the creation of the Association of Creditors passes without the completion of liquidation, the Secretary of the Association of Creditors shall submit to the Insolvency/Bankruptcy Judge a report on the status of liquidation and the reasons for the delay of its completion. The Insolvency/Bankruptcy Judge shall send this report to the creditors and invite them to meet in order to discuss it. The same action shall be followed whenever six (6) months pass without the Secretary of the Association of Creditors completing the liquidation works.

Article (201)

The Secretary of the Association of Creditors shall, after the completion of the works of liquidation, submit a final account to the Insolvency/Bankruptcy Judge. The Insolvency/Bankruptcy Judge shall dispatch this account to the creditors and invite them to meet to discuss it and shall notify the insolvent debtor of such meeting. The insolvent debtor may attend such meeting.

The Association of Creditors shall be dissolved and the insolvency shall be deemed to have ended by virtue of Law after the ratification of the account by the Insolvency/Bankruptcy Judge.

The Secretary of the Association of Creditors shall be liable for the books, documents and papers handed over to him, for a period of one (1) year from the date of completion of insolvency [works].

Article (202)

If, after inventorying the monies of the insolvent debtor in low-value Assets in Insolvencies, it is found that their value does not exceed OMR 100,000, the Insolvency/Bankruptcy Judge may, on his own motion or on a request from the Receiver or any creditor, order continuation of the insolvency proceedings in accordance with the following provisions:

- A. Timelines set in Article (103/Paragraph 1), Article (105), Article (161/paragraph 2), Article (162/paragraph 2), Article (163) and Article (164/paragraph 3) of this Law shall be reduced to half;
- B. All decision of the Insolvency/Bankruptcy Judge shall be unappealable, unless the Law provides otherwise or the decision exceeds [the limits of] his jurisdiction;
- C. No insolvency Observer shall be appointed;
- D. The Receiver shall not be changed when the Association of Creditors is created; and
- E. Only one distribution shall be made to creditors after selling the Assets in Insolvency.

Part III

CONDITIONS & PROCEDURES FOR SALE & DISTRIBUTION OF INSOLVENCY ASSETS

Chapter I

SALE

Section I

GENERAL PROVISIONS

Article (203)

Provisions of this Section shall be applicable in respect of procedures for the sale of insolvency assets. However, matters not covered by a special provision herein shall be subject to the Civil and Commercial Procedures Law.

Article (204)

The insolvency assets may not be sold during the period of preliminary proceedings during which sealing, publication, unsealing and inventorying are done. However, the Insolvency/Bankruptcy Judge, on the request of the Receiver, may permit the sale of Items which are easily perishable, suddenly decrease in value, or whose maintenance requires exorbitant expenses. The insolvency assets may be permitted to be sold if the sale is necessary in order to obtain cash to be spent on its affairs or if the sale achieves assured benefits to creditors or to the insolvent debtor. Sale may be permitted in the latter case only after notifying the

insolvent debtor of such sale and hearing his statements or informing him of such sale. The sale shall be done in accordance with the method set by the Insolvency/Bankruptcy Judge.

Article (205)

The decision issued by the Insolvency/Bankruptcy Judge on the sale of the insolvency assets during the period of preliminary proceedings may be appealed within ten (10) days from the date of the issuance of the decision on the commencement of the sale procedures.

Article (206)

Creditors who are mortgagees shall adopt the procedures for the sale of movable or real estate properties covered by their mortgage, in accordance with the method set in the guarantee contracts and shall recover their rights secured by such movable or real estate properties, within a maximum period of one (1) year from the date of declaration of Insolvency. This sale shall be binding on the Receiver, failing which – only the Receiver or the Secretary of the Association of Creditors, as the case may be, shall have, after the creditor has been notified, the right to [request] enforcement in respect of such movable or real estate properties, in accordance with the provisions of this Law.

In case of sale of movable or mortgaged real estate properties, at the request of the creditor who is the mortgagee, for a price exceeding the debt, the Receiver or the Secretary of the Association of Creditors shall receive the surplus amount on behalf of the group of creditors and deposit the same into the insolvency account.

The Secretary of the Association of Creditors shall sell the movable or mortgaged real estate properties, after securing the approval of the creditor who is the mortgagee of such sale, before the passage of the deadline provided for in the first paragraph of this Article.

Article (207)

The insolvency assets shall be sold by a decision of the Insolvency/Bankruptcy Judge through auction, on the basis of a list of sale conditions deposited by the Receiver or the Secretary of the Association of Creditors, as the case may be, with the Secretariat of the Court, in accordance with Article (209) of this Law.

Article (208)

If insolvency assets are sold out of the real estate properties, the Receiver or the Secretary of the Association of Creditors, as the case may be, shall notify the Secretariat of the Land Registry of the decision issued by the Insolvency/Bankruptcy Judge for the exercise of sale, for endorsement without fees within a period of time not exceeding five (5) days from the date on which it is notified. All creditors whose entitlements in respect of the real estate property are registered and its actual possessor shall also be notified.

Section II

CONDITIONS OF SALE

Article (209)

The Receiver or the Secretary of the Association of Creditors shall, as the case may be, prepare a list of auction sale conditions and deposit the same with the Secretariat of the Court after it is approved by the Insolvency/Bankruptcy Judge within thirty (30) days from the date of the issuance of the decision on the exercise of sale by the Insolvency/Bankruptcy Judge.

It shall include the following:

- A. Specification of the item for sale, description, measuring area, location, and boundaries in the case of selling a real estate property;
- B. Date of Insolvency/Bankruptcy Judge's decision on the exercise of sale;
- C. Date, time and place of the sale;
- D. Conditions for sale and the floor price for the commencement of auction;
- E. Division of the item for sale into deals, if required, specifying the floor price of each deal;
- F. Security amount for participation in auction, not below 5% of the floor price of the item being sold; and
- G. Estimated costs for the sale procedures and the expenses and fees to be paid by the person to whom the auction is awarded.

Article (210)

The Insolvency/Bankruptcy Judge shall appoint an expert from among the experts whose names are listed in the Roster. The Judge, if required, may appoint another expert to evaluate the real estate property in accordance with the following criteria:

- A. Value of the real estate property at the time of its purchase;
- B. Changes made in the real estate property;
- C. Effect of inflation rates on the real estate property;
- D. Market value at the time of evaluation; and
- E. Rental value of the real estate property at the time of evaluation.

The Insolvency/Bankruptcy Judge may follow the same procedures in the sale of movable properties in cases he deems appropriate.

Section III SALE PROCEDURES

Article (211)

The list provided for in Article (209) of this Law shall be approved by the Insolvency/Bankruptcy Judge. The Judge may reduce the amount of security set in sub-clause (F) of the same article in cases he deems appropriate.

The Receiver or the Secretary of the Association of Creditors, as the case may be, shall publish the deposit of the list of the sale conditions with the Secretariat of the Court in a widely circulated daily newspaper or by any other means as determined by the Insolvency/Bankruptcy Judge. In addition to the adoption of the previous procedures, If the insolvent debtor's real estate property is offered for sale, a sale sign board shall be attached to the property.

Article (212)

The Receiver or the Secretary of the Association of Creditors, as the case may be, shall in the presence of the Insolvency/Bankruptcy Judge, conduct the auction on the day set for sale.

The auction shall commence with the announcement of the floor price and end with the Insolvency/Bankruptcy Judge's approval of the sale to the person who submits the highest bid. The bid given for five minutes shall terminate the auction.

Article (213)

If the bid submitted is less than the floor price or if no creditor or bidder for the auction submitted any bid, the Insolvency/Bankruptcy Judge shall defer the

auction to another date within the next sixty (60) days. The Judge may deduct one-tenth of the floor price one time after another, whenever the situation so warrants, provided that the deduction shall not exceed twice. Thereafter, the Insolvency/Bankruptcy Judge shall suspend the sale procedures pending marketing item offered for sale in the manner specified by the Judge and discuss the matter with the group of creditors.

The Receiver or the Secretary of the Association of Creditors, as the case may be, shall announce the session for the deferred auction in accordance with the procedures stipulated in Article (208) of this Law.

Article (214)

The person whose bid is approved by the Insolvency/Bankruptcy Judge shall deposit, immediately during the auction session, the full price approved and the expenses and fees mentioned in the list stipulated in Article (209) of this Law.

The Insolvency/Bankruptcy Judge may give such person a grace period to complete the payment after deduction of the security amount not exceeding 15 days from the date of the auction session. If the person to whom the auction is awarded does not deposit the price in full within the specified period, such person shall not be entitled to a refund of the security amount and the auction procedures shall be repeated with the application of the previous conditions in accordance with the latest price fixed.

Article (215)

If the person awarded the auction is a creditor and the amount of its debt and rank thereof are equivalent to the remaining price, the Judge shall order the deduction of such value from the amount of its acceptable debt at the time of distributions.

Article (216)

The Insolvency/Bankruptcy Judge shall issue a decision on the delivery of the sold movables to the person to whom the auction has been awarded after the payment of the full price and the payment of expenses and fees payable by such person.

The Insolvency/Bankruptcy Judge shall issue a decision awarding the sale in real estate properties on the procedures followed and after the payment of the full price. The decision shall include a list of the conditions of the sale and the

procedures taken on the date of sale. The decision shall include an order for handing over the real estate property to the person awarded the sale, after such person has submitted evidence of payment of expenses and fees.

Article (217)

The sale awarding decision may not be appealed unless for a defect in the auction procedures or in the form of the decision. The appeal shall be filed with the competent Court following the same procedures within fifteen (15) days from the date of issuing the decision.

Article (218)

The person, to whom the award of sale has been approved by the Insolvency/Bankruptcy Judge, shall have the right to register the decision with the Land Registry Secretariat unless such decision is appealed. Such person shall bear the expenses of registration. Such registration shall free the real estate property from the resultant priority rights and security and pledge. The registered decision shall be evidence of the transfer of the ownership of the real estate property to the person to whom the sale has been awarded.

Article (219)

The Receiver or the Secretary of the Association of Creditors, as the case may be, shall bear the expenses resulting from the repetition of the auction procedures if such action has been caused by his fault or from his violation of the provisions of the Articles contained in this section. No appeal may be filed against the decision issued in this regard by the Insolvency/Bankruptcy Judge.

Chapter II

DISTRIBUTIONS

Article (220)

The Insolvency/Bankruptcy Judge shall order the distributions to be made between the creditors and fix the amount to be distributed. The Secretary of the Association of Creditors shall notify the creditors.

Article (221)

The Secretary of the Association of Creditors may not pay the creditor's share in the distributions unless the creditor has submitted the debt instrument with an endorsement that it has been verified and accepted. The amounts paid shall be endorsed on the debt instrument. If the creditor fails to submit the debt instrument, the Insolvency/Bankruptcy Judge may permit the payment of his debt after ascertaining its acceptance.

In all cases, the creditor shall be granted acquittal on the list of distribution.

Article (222)

If the price of real estate properties or movables is distributed, creditors who are mortgagees or holders of priority rights who have not received all or some of their rights from the price of the real estate properties and movables bearing security may participate - together with the ordinary creditors - in the apportionment with their remaining rights in the distribution of the monies with which the right of the group of creditors is associated, provided their debts have been verified in accordance with the provisions of this Law. If, at the time of the final settlement, it is found that the amount received by one of them exceeds the amount of his debt, the excess shall be deducted and refunded to the group of creditors.

Article (223)

Creditors who have not filed their applications on the prescribed dates shall not participate in the current distributions. They may only object till the completion of the distributions and bear the expenses of objection. The objection shall not result in the suspension of the enforcement of the distributions ordered by the Insolvency/Bankruptcy Judge.

However, the aforementioned creditors may participate in new distributions with amounts fixed by the Court temporarily and their share shall be retained for them pending an order on the objection.

If their debts are established after that, they may not claim a share in the distributions ordered by the Insolvency/Bankruptcy Judge and may only take from the remaining amounts, without the distribution of dividends of their debts that would have been transferred to them if they had participated in the previous distributions.

Part IV**FINAL PROVISIONS, REHABILITATION & PENALTIES****Chapter I****FINAL PROVISIONS****Article (224)**

The filing of a criminal case for insolvency, whether it relates to fraud (fraudulent) or default, shall not lead to any modification in the insolvency proceedings, unless the Court orders otherwise.

Article (225)

If a criminal case is filed against the insolvent debtor, the Receiver shall submit to the public prosecution or the Court all the documents, instruments, information and clarifications relating to the Assets in Bankruptcy/Insolvency. The above documents and instruments shall, during investigation or trial, remain with the public prosecution or the Court and shall be returned after the completion of investigation or trial to the Receiver, the insolvent debtor or his heirs, as the case may be.

Article (226)

If the offence relates to an agreement made by the insolvent debtor or any other person with a creditor to grant such creditor special privileges in return for voting on the Composition, the Court may, on its own motion, adjudicate the invalidation of such agreement and oblige the creditor to refund that which it had acquired thereby, even if acquittal were awarded in relation to the offence.

The Court shall, in addition to the above, adjudicate compensation, if required, on the request of the interested parties.

Chapter II**REHABILITATION OF INSOLVENT DEBTOR****Article (227)**

An insolvent debtor against whom a judgement has been handed down in an offence of Bankruptcy/Insolvency through fraud or default may be rehabilitated only in accordance with the provisions of the Criminal Procedures Law. In all cases, and for rehabilitation of the insolvent debtor [to be recognized], it shall be

mandatory that the insolvent debtor discharged all amounts required including the principal and supplementary amounts and expenses.

Article (228)

All rights of the insolvent debtor that have lapsed shall be restored by the force of law after the passage of three (3) years from the date of completing the Bankruptcy/Insolvency [works].

If the insolvent debtor pays all its dues preceding the declaration of its Bankruptcy/Insolvency including the principal and supplementary amounts and expenses, all its rights shall be restored to it and it shall be rehabilitated, even if the period stipulated in the preceding paragraph has not passed.

Article (229)

If the insolvent debtor is a general partner in a company which has been declared Insolvent, he/she shall be rehabilitated only after the payment of all debts of the company including the principal and supplementary amounts, expenses and interests for a period not exceeding three (3) years, even if the aforementioned partner has procured a personal Composition from his/her creditors. If a creditor refuses to receive its debt, is absent or if it is not possible to find out his domicile, the debt may be deposited with the Treasury of the Court and the deposit certificate shall be treated as proof of debt discharge.

Article (230)

Rehabilitation of the insolvent debtor may be ordered in the following two cases even if the deadline stipulated in Article (228) of this Law has not expired:

- A. If the insolvent debtor has procured Composition from its creditors and performed its conditions. This provision shall be applicable to a general partner in a company declared Insolvent, if such partner has procured personal Composition and performed its conditions.
- B. If the insolvent debtor proves that the creditors have released it from all the debts or that they have unanimously approved its rehabilitation.

Article (231)

An insolvent debtor shall be rehabilitated after his death on the application from any of his heirs, in accordance with the provisions provided for in the preceding Articles.

Article (232)

The rehabilitation application shall be filed together with supporting documents with the Secretariat of the Court and a copy of the application shall be sent immediately to the Public Prosecution and to the Register.

The Court shall notify the creditors, whose debts in relation to the Assets in Bankruptcy/Insolvency have been accepted, of the rehabilitation application and ask them to file their objections, if justified.

A summary of the application shall be published in the Official Gazette at the expense of the insolvent debtor. Such summary shall include the name of the merchant debtor, the date of the issuance of the order on the declaration of Bankruptcy/Insolvency and the how the Bankruptcy/Insolvency works concluded.

Article (232)

The Public Prosecution shall deposit with the Secretariat of the Court a copy of the rehabilitation application within thirty (30) days from the date of its receipt. The Public Prosecution shall also deposit a report including information on the type of Bankruptcy/Insolvency, the orders issued against the insolvent debtor in insolvency offences, trials, or investigations conducted with him in this regard and the Public Prosecution's opinion on the acceptance or rejection of the application.

Article (234)

A creditor whose right has not been discharged may file an objection to the rehabilitation application within fifteen (15) days from the date of the publication of the summary of the application in the Official Gazette. The objection shall be made through a written report submitted to the Secretariat of the Court accompanied by supporting documents.

Article (235)

The Secretariat of the Court, after expiry of the deadline provided for in Article (234) of this Law, shall notify the creditors - who have filed objections to the rehabilitation application - of the date of the session set for consideration of the application. The notice shall be communicated by means determined by the Court.

Article (236)

The Court shall decide on the rehabilitation application with a final order. If the

Court adjudicates the rejection of the application, such application may be filed again only after the passage of six (6) months from the date of the issuance of the order [of rejection].

Article (237)

If investigations are conducted with the insolvent debtor concerning any of the insolvency offences or if a criminal case is filed against him before a decision on the rehabilitation application is rendered, the Public Prosecution shall notify the Court immediately.

The Court shall suspend adjudication on the rehabilitation application pending completion of investigations or the issuance of a final judgement in the criminal case.

Article (238)

If the insolvent debtor is convicted of any insolvency offence after the rehabilitation has been awarded, such award shall be treated as null and void.

Chapter III

PENALTIES

Article (239)

With exception of the offences provided for in this Law, the Penal Law shall be applicable to Bankruptcy/Insolvency offences.

Article (240)

Without prejudice to any severer punishment provided for in any other law a Merchant Debtor shall be punished by imprisonment for a minimum period of six (6) months and a maximum period of three (3) years and/or a minimum fine of OMR 1,000 and a maximum fine of OMR 5,000, if the merchant debtor:

- A. concealed, in bad faith, all or some of its monies or overestimated its monies with the intention of paving the way for Restructuring or Composition;
- B. engaged or allowed the participation of a creditor in the Proceedings of Restructuring or Composition unjustly; or
- C. omitted, in bad faith, a creditor from the list of creditors.

Article (241)

Without prejudice to any severer punishment provided for in any other law a Creditor shall be punished by imprisonment for a minimum period of three (3) months and a maximum period of two (2) years and a minimum fine of OMR 500 and a maximum fine of OMR 2000, if the creditor participated, in bad faith, in the discussions and voting on the Composition unjustly or if the merchant debtor or any other person granted such creditor special privileges in lieu of voting in favour of the Composition.

The same punishment shall be awarded to the Composition Secretary for submitting or approving, in bad faith, inaccurate information on the status of the merchant debtor.

Article (242)

Without prejudice to any severer punishment provided for in any other law a Controller or Observer shall be punished by imprisonment for a minimum period of three (3) months and a maximum period of one (1) year and/or a minimum fine of OMR 500 and a maximum fine of OMR 2000, if the controller or observer deliberately submits or supports incorrect information on the financial condition of the merchant debtor or deliberately injures the Assets in Bankruptcy/Insolvency or any of the creditors.

Article (243)

Without prejudice to any severer punishment provided for in any other law a Court-appointed Expert in accordance with the provisions hereof shall be punished by imprisonment for a minimum period of three (3) years and a maximum period of five (5) year and a minimum fine of OMR 2000 and a maximum fine of OMR 3000, if the expert deliberately submits incorrect information relating to the procedures provided for in this Law or colludes with the insolvent debtor or with any of the creditors.